The Economist

April 2nd, 2011



Politics this week



Libyan forces loyal to Muammar Qaddafi regained several coastal towns, including Ras Lanuf and Brega, which had been captured by rebels only a few days before, while Misrata, the nearest rebel-held town to Tripoli, the capital, was being fiercely fought over. A conference on Libya in London drew representatives of 40-odd governments and international bodies to discuss the latest military, political and humanitarian plans for handling the crisis. Colonel Qaddafi's foreign minister, Moussa Koussa, fled to London. See article

Demonstrations in **Syria** were suppressed by security forces, leaving scores dead in several towns, including Latakia, a stronghold of the minority Alawite sect, to which President Bashar Assad belongs. In an address to parliament, he said he would lift the 48-year-old state of emergency, but did not say when. See article

Yemen's President Ali Abdullah Saleh, facing mass demonstrations and growing dissent within his ruling circle, offered to transfer his powers to a caretaker government while retaining the presidency until elections are held. Protesters declined the offer, which was made to the head of an Islamist party that had once been a partner in Mr Saleh's government. An explosion in a weapons factory in the south killed at least 150 people.

Sectarian relations soured in the Middle East after **Iraq's** prime minister, Nuri al-Maliki, a Shia, praised the mainly Shia protesters in **Bahrain** and criticised Sunni **Saudi Arabia** for helping to suppress them on behalf of the ruling Bahraini family, which is also Sunni. Hassan Nasrallah, leader of Hizbullah, **Lebanon's** powerful Shia party-cum-militia, also aroused anger among Sunni governments in the Gulf by praising the Bahrain protesters and likening the ruling family there to Libya's Qaddafis. See article

At least 55 people were killed in the **Iraqi** city of Tikrit, Saddam Hussein's home town, after suicide-bombers thought to be linked to al-Qaeda took a score of hostages, including several members of the local council, prompting government forces to storm the building.

Guerrilla forces allied to Alassane Ouattara, the winner of last year's presidential elections in **Cote d'Ivoire**, took several towns in the west from troops loyal to Laurent Gbagbo, the sitting president who refuses to step down. A civil war is under way; a battle for Abidjan, the commercial capital, may begin soon. See article

Combining hard and soft power

In his first big speech on the conflict in Libya **Barack Obama** laid out the reasons why he thought America should be involved. Mr Obama has been criticised on the left and the right for committing America to join a military effort to protect Libyan civilians, but he said that America could not brush aside its "responsibilities to our fellow human beings". Many saw the speech as the firmest statement yet of the principles behind his policy towards intervention abroad. See article

In **California** negotiations broke down over a plan put forward by Jerry Brown, the Democratic governor, to plug the state's deficit. Mr Brown said the legislature's Republicans had presented him with "an ever-changing list of collateral demands" as he sought their support to hold a ballot in June that would ask voters to extend a range of temporary tax increases.

Safety measures

Japan bowed to the inevitable and said it would decommission four of the nuclear reactors at the stricken Fukushima Dai-ichi power plant. Raised levels of radiation were found at a village 40km from the plant and in nearby seawater. The UN's nuclear watchdog suggested widening the 20km exclusion zone. See article

Myanmar's military junta formally dissolved itself and handed over power to an elected parliament and a new president, Thein Sein, a former general. The former dictator, Than Shwe, resigned as head of the army. Members of Aung San Suu Kyi's party denounced the handover as a fake. See article



India's prime minister, Manmohan Singh, invited his **Pakistani** counterpart, Yusuf Raza Gilani, to watch a World Cup cricket match between the national sides. Earlier, the countries' senior home-affairs officials agreed jointly to investigate the 2008 killings, by Pakistan-based terrorists, of 170 people in Mumbai. See article

Australia's ruling Labor Party was trounced in state elections in New South Wales, once its stronghold. It had governed the state for 16 years. See article

No change anticipated

As expected, **Canada's** minority Conservative government fell after it lost a no-confidence vote in Parliament. The Conservatives are forecast to finish first in the election scheduled for May 2nd.

A court in **Honduras** cancelled three outstanding arrest warrants for Manuel Zelaya, a former president who was deposed in a 2009 coup backed by the legislature and judiciary. Mr Zelaya would still have to face corruption charges if he were to return from exile.

Angela's ashes

In **Germany** Angela Merkel's ruling CDU party lost an important election in the state of Baden-Wurttemberg, which it had governed continuously for almost 60 years. Boosted by renewed concerns over nuclear power following the disaster in Japan, the Greens did well and will now head a coalition, the first time the party has led a state government. See article

Silvio Berlusconi attended a closed-door pre-trial hearing in Milan relating to a tax-fraud case, his first court appearance in eight years. The case is one of four hanging over Italy's prime minister; the most scurrilous, which involves an underage prostitute, comes to trial on April 6th.

Tensions between **Bosnia's** fractious ethnic groups mounted when the EU's representative irked Croats by quashing an election-commission ruling that had paralysed politics in the Federation (the Muslim and Croat part of the country). Bosnia has been without a functioning government for months; some fear that the deadlock could turn violent.



Up to half a million people joined a union-organised protest in London against the **British** government's spending cuts. Separately, some activists staged sit-ins inside retail outlets held by companies they accuse of avoiding taxes; others defaced walls and smashed the windows of banks, hotels and posh shops. See article

Business this week

The natural disasters that hit Japan on March 11th continued to have an impact on **supply chains**, especially for carmakers. Many factories that produce components remain either shut or damaged, causing a problem for manufacturers that rely on just-in-time delivery of parts. Honda, for example, temporarily reduced production at its North American factories and said it would review the situation based on the availability of car parts. See article

Ros-nyet

A proposed share swap and plan to combine energy exploration in the Arctic between **BP** and Russia's **Rosneft** was dealt a blow when an arbitration panel decided to extend an interim injunction on the deal. The injunction was imposed in February after Russian shareholders in another BP venture, TNK-BP, argued that they should be given first refusal on any new BP project in Russia. The arbitration panel's decision is a particular setback for Bob Dudley, BP's chief executive, who used to be in charge of TNK-BP. See article

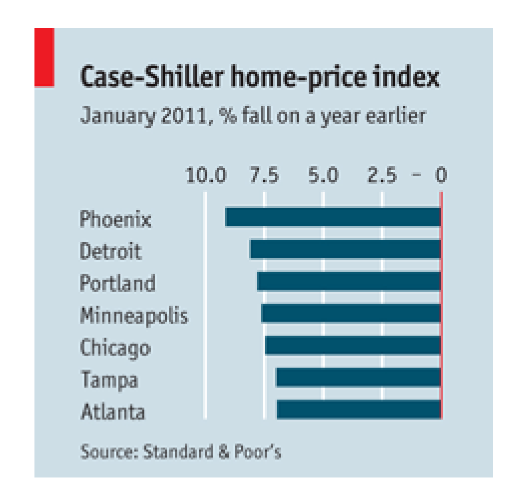
The **North Sea oil industry** kept up its complaints about a pound2 billion ($3.4 billion) levy outlined in the recent British budget, which pays for a cut in petrol duty. Norway's Statoil postponed new investment it had planned for two North Sea oilfields, saying that the tax "significantly impacts the economics" of the projects.

GE continued its spending spree in the energy business by agreeing to buy most of **Converteam**, which specialises in electrical-power systems, for $3.2 billion.

A class-action lawsuit which began in 2001 and alleges that **Walmart** pays its female workers less than male staff in equivalent jobs reached the Supreme Court. Up to 1.5m women could benefit from punitive damages if the six original plaintiffs win their case. The question before the court is not whether Walmart discriminated against the women, but if the class-action claim can cover so many people. The judges will decide by July if the case can proceed.

David Sokol, hitherto seen as a possible successor to **Warren Buffett** as boss of Berkshire Hathaway, resigned from the company to manage his family's money. His departure was overshadowed by revelations about his dealings in shares of Lubrizol ahead of Berkshire's $9.7 billion proposed takeover of the company. See article

Still in recession



There was more dismal news from America's **housing market**, as the S&P/Case-Shiller home-price index for 20 cities fell by 3.1% in the three months to January from the same period in 2010. S&P said none of the data pointed to "any form of sustained recovery". Meanwhile, Republicans in Congress voted to end the Home Affordable Modification Programme, which helps homeowners avoid foreclosure. The White House has said it will veto the move.

Valeant, a Canadian drug company, made a $5.7 billion hostile offer for **Cephalon**, a smaller American rival, and gave notice it wanted its own people to sit on Cephalon's board. Valeant is financing its bid entirely with debt. Takeovers among drug companies may become more contested as patents expire and they seek growth through acquisitions.

Mukesh Ambani, the richest man in India, set up a joint venture with an American hedge fund to enter India's financial-services industry. This comes less than a year after he and his brother, Anil, scrapped their contentious "non-compete" compact under which assets from their late father's Reliance empire were split.

Choosing one's friends

Google agreed to settle charges brought by America's Federal Trade Commission that it had used "deceptive tactics" and "violated its own **privacy** promises" when it set up Google Buzz last year. Google received thousands of complaints when it launched its social network from users whose e-mail contacts were shared publicly. The FTC instructed Google to implement a privacy programme to protect consumers' information, the first time it has issued such an order, and said Google would be subject to privacy audits for the next 20 years.

Amazon presented a service that enables users to buy and store music in the **online cloud** and access their tunes from any computer or mobile device that works on the Android operating system, but not Apple's iPod or iPad. Amazon launched Cloud Drive without licensing agreements with some music companies; Sony Music said it was "disappointed". Apple and Google hope to introduce their own cloud-storage services soon. See article

Lenovo, China's biggest computer-maker, entered the tablet market by unveiling the **LePad**. The device has a 10.1-inch (26cm) screen, similar in size to the iPad's, and operates on Android. The LePad is only available in China for now.

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Daily Chart

Mar 31st 2011 | From *The Economist* print edition



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Islam and the Arab revolutions

Religion is a growing force in the Arab awakening. Westerners should hold their nerve and trust democracy



THE sight of corrupt old Arab tyrants being toppled at the behest of a new generation of young idealists, inspired by democracy, united by Facebook and excited by the notion of opening up to a wider world, has thrilled observers everywhere. Those revolutions are still in full swing, albeit at different points in the cycle. In Tunisia and Egypt they are going the right way, with a hopeful new mood prevailing and free elections in the offing. In Libya, Syria and Yemen dictators are clinging on to power, with varying degrees of success. And in the Gulf monarchs are struggling to fend off demands for democracy with oil-funded largesse topped by modest and grudging political concessions.

So far these revolts have appeared to be largely secular in character. Westerners have been quietly relieved by that. Not that they are all against religion. Many-Americans in particular-are devout. But by and large, they prefer their own variety to anybody else's, and since September 11th 2001, they have been especially nervous about Islam.

Now, however, there are signs that Islam is a growing force in the Arab revolutions (see article). That makes secular-minded and liberal people, both Arabs and Westerners, queasy. They fear that the Arab awakening might be hijacked by the sort of Islamists who reject a pluralist version of democracy, oppress women and fly the flag of *jihad* against Christians and Jews. They worry that the murderous militancy that has killed 30,000 over the past four years in Pakistan (see article) may emerge in the Arab world too.

Islam on the rise

In Libya the transitional national council, slowly gaining recognition as a government-in-waiting, is a medley of secular liberals and Islamists. There are Libyan jihadist veterans of Iraq and Afghanistan among the rebels, though not in big numbers. An American general detects "flickers of al-Qaeda" among the colonel's foes being helped by the West, raising uncomfortable memories of America's alliance against the Russians with Afghanistan's mujahideen, before they turned into al-Qaeda and the Taliban.

The Muslim Brotherhood, which has branches all over the region, is the best-run opposition movement in Libya and Egypt; and last week's constitutional referendum in Egypt went the way the Brothers wanted it to. Its members have long suffered at the hands both of Western-backed regimes, such as Hosni Mubarak's in Egypt, and of anti-Western secular ones, such as Bashar Assad's, now under extreme pressure in Syria. In Tunisia, too, the Islamists, previously banned, look well-placed. On the whole, these Brothers have gone out of their way to reassure the West that they nowadays disavow violence in pursuit of their aims, believe in multiparty democracy, endorse women's rights and would refrain from

imposing sharia law wholesale, were they to form a government in any of the countries where they are re-emerging as legal parties.

All the same, the Brothers make many people nervous. At one extreme of the wide ideological spectrum that they cover they are not so far from the jihadists, many of whom started off in the Brothers' ranks. The leading Palestinian Islamist movement, Hamas, an offshoot of the Brotherhood, has been delighted by Mr Mubarak's fall. It has in the past carried out suicide-bombings in the heart of Israel and refuses to recognise the Jewish state. Some liberals say that more extreme Islamist groups are riding on the more moderate Brothers' coat-tails. In the flush of prisoner releases, hundreds if not thousands of Egyptian jihadists are once again at large.

Don't despair

Islam is bound to play a larger role in government in the Arab world than elsewhere. Most Muslims do not believe in the separation of religion and state, as America and France do, and have not lost their enthusiasm for religion, as many "Christian Democrats" in Europe have. Muslim democracies such as Turkey, Malaysia and Indonesia all have big Islamic parties.

But Islamic does not mean Islamist. Al-Qaeda in the past few years has lost ground in Arab hearts and minds. The jihadists are a small minority, widely hated by their milder co-religionists, not least for giving Islam a bad name across the world. Ideological battles between moderates and extremists within Islam are just as fierce as the animosity pitting Muslim, Christian and Jewish fundamentalists against each other. Younger Arabs, largely responsible for the upheavals, are better connected and attuned to the rest of the modern world than their conservative predecessors were.

Moreover, some Muslim countries are on the road to democracy, or already there. Some are doing well. Among Arab countries, Lebanon, with its profusion of religions and sects, has long had a democracy of a kind, albeit hobbled by sectarian quotas and an armed militia, Hizbullah. Iraq has at least elected a genuine multiparty parliament.

Outside the Arab world, in Turkey, Malaysia and Indonesia, Islam and democracy are cohabiting fairly comfortably. Many devout Muslims among the Arab protesters, including members of the Brotherhood, cite Turkey as a model. Its mildly Islamist government is showing worrying signs of authoritarianism these days, but it serves its people far better than the generals did. Iran, which once held so much sway, is not talked of as a model: theocracy does not appeal to the youngsters on the Arab street.

Still, Muslim countries may well make choices with which the West is not comfortable. But those inclined to worry should remember that no alternative would serve their interests, let alone the Arabs', in the long run. The old autocrats deprived their people of freedom and opportunity; and the stability they promised, it is now clear, could not endure. Algeria's civil war in the 1990s remains a horrible warning against depriving Islamists of power they have rightfully won.

Islam will never find an accommodation with the modern democratic world until Muslims can take responsibility for their own lives. Millions more have a chance of doing just that. It is a reason more for celebration than for worry.

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India and Pakistan

A willow branch

After cricket diplomacy, India and Pakistan should try some other ideas



WAR aside, nothing captivates India and Pakistan as much as an encounter between their national cricket teams. The two countries met on March 30th in a tense world cup semi-final in Mohali, north India. The home side won but Pakistan's players acquitted themselves unexpectedly well. Watching together from the packed and raucous stands were Manmohan Singh, India's prime minister, and his Pakistani counterpart, Yusuf Raza Gilani, whom he had invited for the game and a spot of post-match talk. It was a rare and hopeful gesture for two countries usually plagued by mutual suspicion. Now the two nuclear-armed powers need to build on it.

Previous efforts at cricket diplomacy have come to nothing (one Pakistani dictator, Zia-ul-Haq, went to India for a game in 1987; another, Pervez Musharraf, followed in 2005). And it must be said that the omens do not look especially auspicious now. Neither government seems strong enough to make concessions. India's is battered by scandal; Pakistan's is widely derided (see article). Moreover, Pakistan's army calls the shots on policy towards India, making intransigence more likely.

At least they're trying

As if that were not enough, the big issues are intrinsically tough. India wants Pakistan to arrest those, maybe including its own spies, behind the 2008 Mumbai attacks, in which Pakistani-based terrorists killed 170 people in India's commercial hub. Pakistan wants talks about the status of Muslim-majority Kashmir, which India regards as an integral part of its territory.

Still, the two sides are trying unusually hard at the moment. Their most senior home-affairs officials met this week and at last agreed to investigate the Mumbai atrocity jointly. Foreign ministers get together soon. Meanwhile Pakistan seems to be sending fewer militants into Kashmir these days. The question is, how can India and Pakistan do more than show willing?

Given the contentiousness of the big disputes, they should start with modest matters and small first steps. Cross-border trade is a good place to begin. At the moment, it hardly exists. A few smoky lorries laden with onions and rugs cross at Wagah, the main border post. Officially, bilateral trade is worth $2 billion a year (unofficially, a few billion more)-a pitiful tally set against India's booming business with China ($60 billion) or even Africa ($45 billion). This is deliberate. The two governments impose tariffs and other constraints on each other. It is also shortsighted. Consumption and trade should be encouraged in order to create an economic incentive for peace. And if that helps boost Pakistan's beleaguered moderates, then so much the better.

Next, face-to-face contracts should be encouraged. Too few people-academics, politicians, artists or tourists-cross the border. It was big news in India that a few Pakistani cricket fans got visas for the match. Reporters are kept at a distance: only two Pakistani correspondents are allowed in Delhi, and two Indians in Islamabad, under tight restrictions. Juvenile rants in the blogosphere replace fruitful human contact.

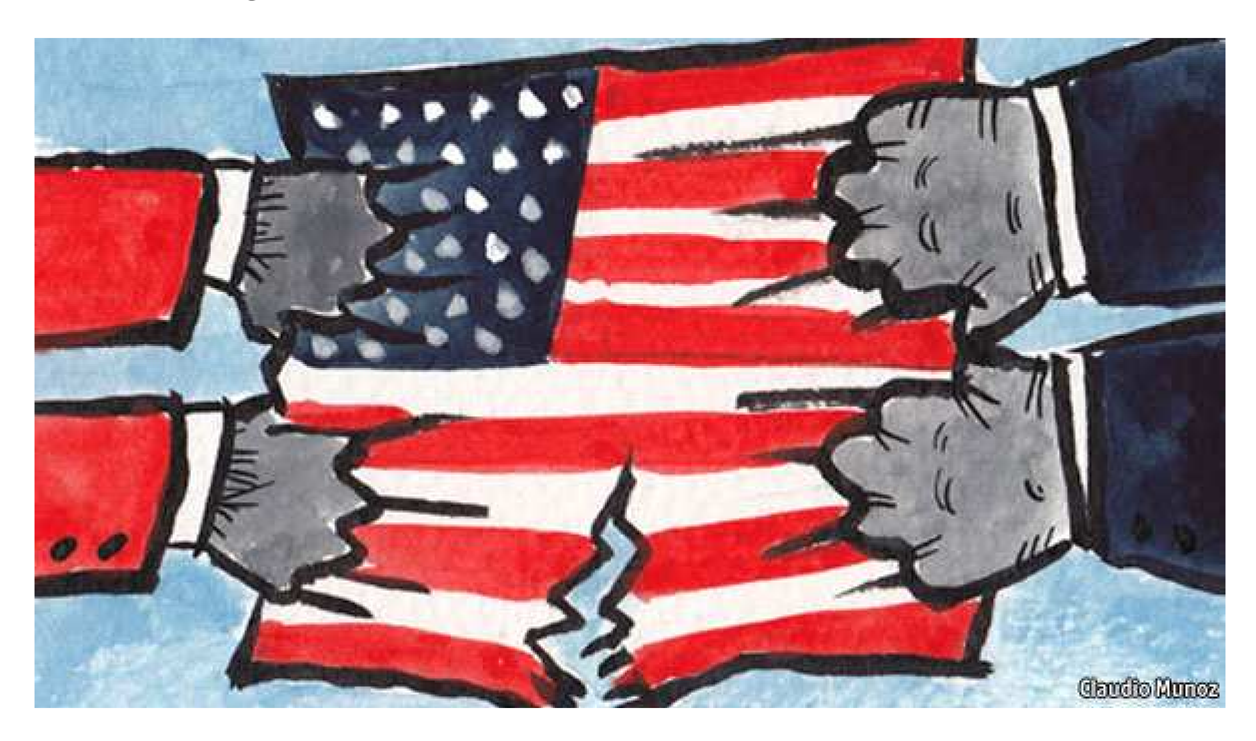
Last, the two countries should do more with regional bodies, such as the South Asian Association of Regional Co-operation, which makes diplomatic encounters and quiet bilateral talks easier to arrange. That could prove helpful one day, if the rivals need cover for making politically difficult concessions (as governments in Europe like to blame "Brussels" when imposing unpopular spending cuts). Naturally, modest measures are only a start. They still have to broach many tricky subjects. But better to try that once confidence has begun to grow. As good batsmen know, big innings are built by notching up single runs early-the flashy shots can follow later.

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The risk of an American government shutdown

Time to stop play-acting and spit out the tea

The Republicans are not being serious about the deficit



THIRTY billion dollars is a lot of money for anyone except America's government. In Washington it is a bagatelle: about what the feds spend in three days, or less than 2% of the predicted budget deficit for this year. Yet in the peculiar battle that is now raging over the budget for a fiscal year already half over, $30 billion is all that now separates the Republicans and the Democrats, who have been bickering for the past 14 months over the details. Because neither side thinks it can afford to back down, the risks of a government shutdown are rising fast; without an agreement, the government will run out of money on April 8th.

Some irresponsible people, on both sides of the political aisle, think that a temporary shutdown would not matter all that much. A fair few Democrats hope that the Republicans will be blamed for their intransigence, as they were at the time of the last shutdown, in 1995-96 (though they may be disappointed on that score, since public opinion swung against the Republicans in 1996 only after their leader, Newt Gingrich, made a fool of himself over a seat on Air Force One). Those of a tea-partyish persuasion imagine that they will be politically rewarded by their supporters for sticking to their guns, and that the only good government is one on enforced leave.

In the short term, it is true, a shutdown would be far from catastrophic; soldiers will continue to fight; aircraft will not collide; Social Security (pensions) cheques will mostly continue to be automatically sent out. But it would still be highly disruptive, not least for government employees who will not get paid, and it will inconvenience people and businesses in countless ways. That is no small matter while the recovery remains so fragile.

More worrying than a shutdown itself would be its implications. If the politicians' attempts to resolve one year's budget end in acrimonious collapse, what hope is there of reaching agreement on issues that require both sides to take much more political punishment? Later in April another battle looms, this time over the need for an extension to America's debt limit, currently set at $14.3 trillion and now very close to being reached. A row over the fiscal 2011 budget might not alarm investors too much; a fight over authorising money that ultimately could be needed to pay international creditors is quite another thing.

And then, of course, comes the even greater challenge of dealing with America's medium-term fiscal problems, driven mainly by an ageing population and the steadily rising cost of health-care programmes. Even once the economy has wholly recovered from the recession, these factors mean that the country faces a structural deficit of around 3%, which is not sustainable. When a bipartisan commission sketched out a way forward at the end of last year, Barack Obama and the Republican leadership raced to distance themselves from its conclusions. A government forced to live hand-to-mouth, funded by stopgap resolutions for a few weeks at a time, hardly looks like one that can calmly negotiate the radical overhaul of the American state that is needed.

Stop the play-acting

Both sides must shoulder some of the blame for the steadily worsening atmosphere on Capitol Hill. The Democrats have failed repeatedly, most recently with Mr Obama's dishonest budget for the next fiscal year, to indicate how they intend to repair the nation's finances. Yet even set against that miserable standard, it is the Republicans who deserve most criticism. While extracting many concessions from the Democrats, they have made precious few themselves. And while spinelessly failing to explain how the deficit might be controlled in the medium term, conservatives have vaingloriously demanded more cuts in the short term than should be inflicted on an economy as weak as America's now is.

Left to himself, John Boehner, the Republican speaker of the House of Representatives, would probably make a deal to avoid a shutdown. But he is cowed by the new intake of theatrical extremists bent on playing at budget discipline rather than achieving it. It is time he showed some leadership. If he does not, it bodes ill for both his party and America.

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Germany's political upset

A Green revolution

Power may change the Greens. That would be a good thing



FROM their birth in 1979 as a protest group formed by a bunch of bearded ideologues, Germany's Greens have come a long way. On March 27th they ousted Angela Merkel's Christian Democrats from the government of Baden-Wurttemberg, a state that the CDU had run for almost 60 years. This is bad news not just for Germany's other political parties, but also possibly for Germany itself-unless power makes the Greens a little more pragmatic.

For Mrs Merkel, the defeat in Baden-Wurttemberg is a painful blow, but not a terminal one. Although she is running into some criticism inside the CDU, she faces no serious challengers to her leadership. She will surely stay as chancellor until the next federal election, which is due by September 2013, and she may well remain even after that. But a weaker Mrs Merkel will probably be a worse chancellor. She is likely to be even more cautious and readier to pander to the voters' whims than ever, despite the evidence that this has not been helping her to win in recent polls. The defensiveness will cement her sudden conversion into a fierce opponent of nuclear power. It may also make her more cussedly difficult in Germany's often messy diplomacy, ranging from the euro crisis to Libya. This vacillating chancellor needs to recover some of the quiet resolution that once made her Europe's most powerful politician.

Yet Mrs Merkel can draw some comfort from Germany's recent state elections. The Greens' triumph hit her coalition partner, the Free Democrats (FDP), and her main opponent, the Social Democrats (SPD) at least as hard as it did the CDU (see article). The Left party also did badly. It is the FDP's head, Guido Westerwelle, whose leadership is now most under threat. As it happens, Mr Westerwelle has also been a disastrous foreign minister (culminating in his foolish decision to join Russia and China in abstaining from the vote over the UN Security Council resolution on Libya), and his early departure would be no loss.

Red, Black and Green all over

The Greens deserve some success, in part because of the way they have transformed themselves from hecklers standing on the sidelines of mainstream politics into a machine for representing Germany's clean-shaven middle class. The party can also claim credit for the relative effectiveness of Gerhard Schroder's SPD-led federal government from 1998 to 2005, when the Greens' Joschka Fischer proved a far better foreign minister than either of his successors has been. And Winfried Kretschmann, who will run Baden-Wurttemberg, comes from the party's "realist" wing.

Yet there are still reasons to worry about the party's rise. The Greens' visceral hostility to nuclear power is irrational (the state of Baden-Wurttemberg is hardly prone to Japanese-style tsunamis); closing plants makes electricity costlier and Germany's (and Europe's) ambitious targets for reducing carbon emissions harder to meet. The Greens are keen on higher taxes, more regulation and dirigiste industrial policy. Some of them still talk as if economic growth were a problem in itself-which is one reason they opposed the huge infrastructure project at Stuttgart's railway station. Support for free trade and free markets tends to come very far down the agenda, if it features at all.

Much of this is just the normal talk of protest and opposition. Like all parties, the Greens tend to change their tune when they get closer to power, just as they did when they went into coalition with the SPD in the federal government of 1998. In this sense, indeed, Baden-Wurttemberg should now offer a test of how responsible the Greens are when they actually lead a government. The state has a highly successful economy and boasts the country's lowest unemployment. It also hosts some of Germany's biggest exporters, including several large carmakers. Mr Kretschmann will surely not want to threaten any of this.

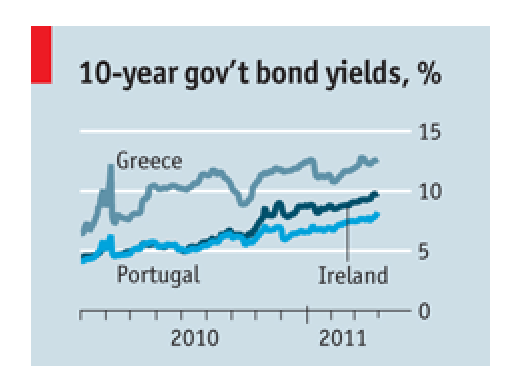
Further in the future looms another big challenge for his party, one that could have a bearing on Mrs Merkel's future. At present the Greens naturally seek to form coalitions with the SPD, as they will once again do in Baden-Wurttemberg, just as the FDP tends to look towards joining up with the CDU. But the success of the FDP, at least until recently, was based largely on its readiness to go into government with either of the two big parties. The Greens should follow suit. A first attempt at a Black-Green coalition in the city-state of Hamburg fell apart last November. The ultimate test of how serious a party the Greens have become will be how soon they are prepared to try once again to work with the CDU, in a state or even, after 2013, at the federal level.

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The euro zone's periphery

They're bust. Admit it.

Greece, Ireland and Portugal should restructure their debts now



IT IS a measure of European politicians' capacity for self-delusion that Angela Merkel, Germany's chancellor, called the euro-zone summit on March 24th-25th a "big step forward" in solving the region's debt crisis. Something between a fudge and a failure would be more accurate. The leaders fell short on almost every task they set themselves. They agreed on a "permanent" rescue mechanism to be introduced in 2013, but couldn't fund it properly, because Mrs Merkel refused to put up money her finance minister had pledged. The Brussels gathering did little to help Greece, Ireland and Portugal, the zone's most troubled economies. Their situation is getting worse-and Europe's leaders bear much of the blame.

Portugal's prime minister resigned on March 23rd after failing to win support for the fourth austerity package in a year. The country's credit rating was slashed to near-junk status on March 29th, while ten-year bond yields have risen above 8% as investors fear Portugal will have to turn to the European Union and the IMF for loans. The economies of both Greece and Ireland, Europe's two "rescued" countries, are shrinking faster than expected, and bond yields, at almost 13% for Greece and over 10% for Ireland, remain stubbornly high. Investors plainly don't believe the rescues will work.

They are right. These economies are on an unsustainable course, but not for lack of effort by their governments. Greece and Ireland have made heroic budget cuts. Greece is trying hard to free up its rigid economy. Portugal has lagged in scrapping stifling rules, but its fiscal tightening is bold. In all three places the outlook is darkening in large part because of mistakes made in Brussels, Frankfurt and Berlin.

At the EU's insistence, the peripherals' priority is to slash their budget deficits regardless of the consequences on growth. But as austerity drags down output, their enormous debts-expected to peak at 160% of GDP for Greece, 125% for Ireland and 100% for Portugal-look ever more unpayable, so bond yields stay high. The result is a downward spiral.

As if that were not enough, the European Central Bank in Frankfurt seems set on raising interest rates on April 7th, which will strengthen the euro and further undermine the peripherals' efforts to become more competitive (see article). Some politicians are still pushing daft demands, such as forcing Ireland to raise its corporate tax rate, which would block its best route to growth. Most pernicious, though, is the perverse logic of the euro zone's rescue mechanisms. Europe's leaders won't hear of debt reduction now, but insist that any country requiring help from 2013 may then need to have its debt restructured and that new official lending will take priority over bondholders. The risk that investors could face a haircut in two years' time keeps yields high today, which in turn blights the rescue plans.

Home truths from Washington

This newspaper has argued that Greece, Ireland and Portugal need their debt burdens cut sooner rather than later. That case is stronger than ever, not only because today's approach is failing but because the risks restructuring are falling. The spectre of contagion is receding. Spain, whose bond yields have fallen and whose spreads with Germany have tightened, has distanced itself from Portugal. Behind the scenes, sovereign-debt specialists are devising ways to minimise the impact of an "orderly restructuring" on banks. Most banks in the core of the euro zone can withstand a hit from the three small peripherals.

The big obstacle is not technical but political. Since many at Europe's core, particularly the ECB, remain implacably opposed to debt restructuring, the pressure has to come from elsewhere-not least from the peripheral economies themselves. Ireland's new government is talking about forcing the senior bondholders of its bust banks to take a hit. Greece should stop pretending that it can bear its current debt burden and push for restructuring. But the best hope lies with the IMF. Its economists have the most experience of debt crises. Some privately acknowledge that debt restructuring

is ultimately inevitable. It is time the Fund's top brass said so publicly and, by refusing to lend more without a deal on debt, pushed Europe's pusillanimous politicians into doing the right thing.

Letters

On Libya, Japan, civil-service pay, the far right, regional inequalities, Ireland, Indonesia, education, the Republicans, Faceboook

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Letters are welcome via e-mail to letters@economist.com

Libya is not Iraq



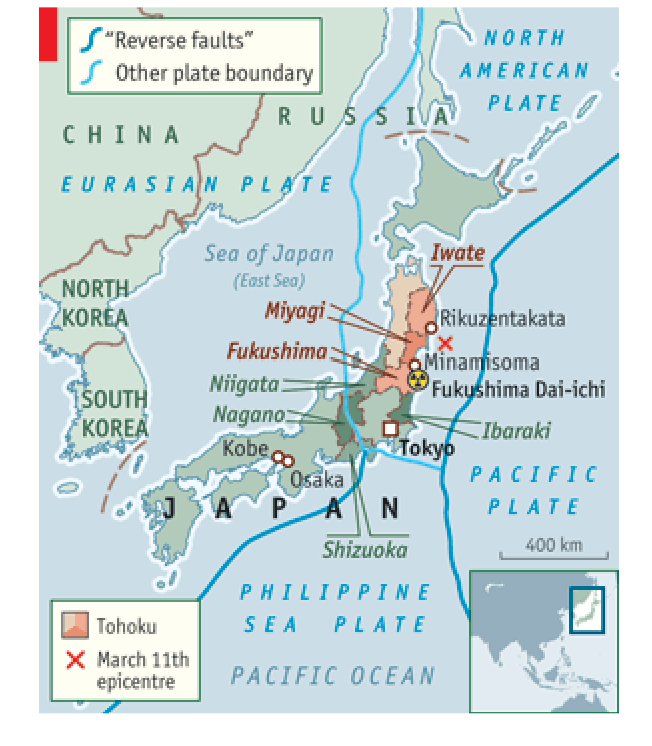
SIR - I am so tired of comparisons of the air campaign in Libya to the invasion of Iraq (Lexington, March 26th). The intervention in Libya is being carried out in support of a genuine uprising that began without any prodding from the West. There are no Western boots on the ground and the military targets are carefully selected to avoid civilian casualties. The invasion of Iraq came after the "shock and awe" of American missile strikes, and left foreign soldiers in a country with little Iraqi or international political support.

For those with an irresistible drive for simple comparisons I would recommend George Bush senior and his failure to provide air-cover for the Shia insurrection after the first Gulf war as a better example. The slaughter of civilians that occurred then and the subsequent loss of America's credibility as a force for good better reflected what would have happened had we stood by silently in Libya.

Francesco Paganini
Baltimore

Disaster scenarios

SIR - Regarding your analysis (Economics focus, March 19th) of the costs of the tsunami in Japan, in addition to the many studies which find that natural disasters do not lead to a significant drop in national output, a fair number have gone further and contend that disasters eventually can cause growth to rise. Jesus Crespo Cuaresma, Jaroslava Hlouskova and Michael Obersteiner argued in a paper in the April 2008 edition of *Economic Inquiry* that natural catastrophes generate their own "creative destruction", a variation on Joseph Schumpeter's theory of capitalism. Cuaresma et al claimed that natural disasters can spur economic development through factors such as knowledge spillovers and investments in new technology and human capital.



The most notable part of their argument is that these factors have the potential to erase previously outdated and perhaps path-dependent methodologies, helping a disaster-struck country to adopt more efficient processes.

Jonathan Ehrlich
Somerville, Massachusetts

SIR - You argued that the death toll from Chernobyl does not spoil a "reasonably good record" of nuclear power ("The fallout", March 19th). But the estimate of "a few thousand" deaths from that disaster only counts the direct casualties of radiation. It ignores the lives lost and shattered as a result of massive resettlement, poverty caused by a lack of investment in the region, the destruction of agriculture and ecosystems, alcoholism induced by fear and desperation and poor health care because of the difficulty of attracting doctors to contaminated areas.

Similar factors will probably plague communities near the Fukushima accident in Japan. Decisions on the future of nuclear power should take into account not only direct biomedical damage from radiation but also the social, psychological and economic costs of nuclear accidents.

Professor Aleh Cherp
Jessica Jewell
Central European University
Budapest

Civil-service pay in Britain

* SIR - Your article on the final report of the Fair Pay Review in Britain doubted that it was possible to design a framework to assess the performance of senior public-sector executives, and regarded such an exercise as a throwback to New Labour targetry ("The cap doesn't fit", March 19th). Fairness demands that individuals face consequences in proportion to their actions: it follows that senior executives' rewards should thus vary with performance.

Difficulties in setting such a framework does not mean it should not be attempted; nearly all organisations have a system of appraisal for their senior people. Its extension into a balanced scorecard of different indicators, including financial results, stakeholder relationships, and citizen satisfaction, as well as service outcomes, should be possible. I propose this should be done by individual organisations in their individual settings within a robust system of checks and balances, of which an independent remuneration committee and more transparency are central elements.

This is hardly a throwback to New Labour's regime of centrally determined targets. This "scorecard" approach is common practice in private-sector organisations, where the financial measures are frequently just one among many used to assess performance and determine variable pay. There is no reason why public-sector organisations should not do the same.

To reject the link between organisation outcomes and executive pay means renouncing any ambition to judge how well senior public servants are performing, and resignation to a public-sector world of no consequences. This is a surprising position for *The Economist* to adopt.

Will Hutton
Fair Pay Review
London

A political disease

SIR - Although the metaphor of the populist far-right "virus" in European politics is well chosen ("On the march", March 19th), the remedies you proposed for how mainstream parties should fight it do not go to the heart of the problem. Beyond exploiting single issues such as immigration, European integration and bank bail-outs, populism poses a fundamental critique of representative democracy, in which political elites are loth to engage with "the people" except at an election.

Given that mainstream parties across western Europe have happily presided over falling membership levels and grassroots activities for much of the past two decades, the non-engagement of politicians is hardly a difficult claim for populists to sustain. Especially as, by contrast, populist parties are often far more visibly present and active at ground level. Until this basic weakness in the democratic body's immune system is addressed, it will continue to remain prey to such viruses.

Duncan McDonnell
Department of political studies
University of Turin

Provincial gains



SIR - Your leader on regional disparities ("Gaponomics", March 12th) argued that, rather than revitalising lagging regions, it would be better if people found it easier to move to the prosperous parts of a country. But, as you noted, those who are most likely to move are the talented youngsters and professionals, not the unskilled and unemployed. Although the brain gain in metropolitan areas will strengthen the economic benefits of agglomeration, it is hard to see how this benefits the regions from which the talented have come without redistributive policies.

Those who remain behind in the periphery are increasingly the elderly, who require more and adequate health care and social services. With investments in high-speed transportation and communication infrastructures, the creative class should be persuaded to return to the periphery to enjoy lower housing costs and a higher quality of life, and contribute to a local economy that can then provide sustainable services.

Professor Jacques Poot
National Institute of Demographic and Economic Analysis
Hamilton, New Zealand

SIR - Regarding Britain, you suggested focusing on education in poorer parts of the country, but your real remedy for regional inequalities seemed to be mass migration to the already heavily built-up south-east region. Your call for an easing of planning restrictions in the south-east is a familiar refrain, much as politicians lambast civil servants or tabloids ridicule health and safety laws. It ignores both the capacity of a given area to accommodate population sustainably and the very great success of the planning system in ensuring that people wish to live in all parts of the country.

Surely more thoughtful ways can be devised to help depressed areas than simply turning off the lights and shutting the door.

Jeremy Hill
Regional director, east of England
Campaign to Protect Rural England
St Ives, Cambridgeshire

Ireland bailing out Germany



Bloomberg via Getty Images

SIR -*The Economist* persists in referring to the European Union-IMF loan facility extended to Ireland late last year as a bail-out ("Muddle, fuddle, toil and trouble", March 19th). Rather, it is a loan that enables Ireland to repay maturing high risk and high yield bonds in Irish banks, bought when those banks were engaged in idiotic lending. These were purchased by many careless European pension funds and banks. Those debts were then assumed by the Irish taxpayer as a result of a monumentally stupid bank-guarantee scheme introduced by the Irish government in late 2008.

If this represents a bail-out, it is Irish taxpayers bailing out German pensioners.

Eoin O'Malley
School of law and government
Dublin City University

SIR - What a set of mixed messages in your March 19th issue. Charlemagne wrote of "tax torment" as the Irish were beaten up at a summit by the French and Germans for daring to attract business through a low corporate-tax rate. Many pages later we read that Greece ranks below Paraguay and Bangladesh in the World Bank's index of the ease of doing business ("Cursed are the cheesemakers").

But which country managed to obtain relief from the EU on the interest it has to repay on its loan? By gosh it was the Greeks. Perhaps this was a message that the European Union is only willing to help those who play by the rules of *dirigiste*.

Atilla Ilkson
Naples, Florida

Indonesia sets an example

SIR - Giving up on direct elections for provincial governors in Indonesia and restoring the financial oversight powers to Jakarta are no solutions for the problems that decentralisation has brought ("Power to the people! No wait...", March 19th). As you said, provincial Indonesians are attached to their local freedoms. Better use of those freedoms and better local government will come from the efforts of civic leaders and others in provincial centres like Samarinda to clean up their own politics.

These people are now better educated, wealthier, more informed and increasingly confident. If successful, such efforts can serve as an example to Indonesia's South-East Asian neighbours, not least Thailand, where a history of over-centralisation does much to explain deep and prolonged political crises.

Michael Montesano
Institute of South-East Asian Studies
Singapore

Leave that teacher alone



SIR - The ability of a teacher to manage his or her classroom is essential for learning to take place, yet classroom management is rarely discussed in the endless debate about the failure of American secondary education ("School's out", March 12th). America's public schools have spent billions of dollars over the years on high-risk students, with few results. Classroom management is difficult and nearly impossible in some schools. Teachers know which students are the source of constant disorder and criminal activity. One solution could be to place such pupils into a private education environment that has the resources to address their many behavioural and educational needs.

Lawrence Watson
Chicago

President Petraeus

SIR - Your list of potential Republican presidential nominees should at least have mentioned General David Petraeus ("Who dares take him on", March 5th). He would be unassailable from the right and reduce Sarah Palin and the tea party to the comic novelties they are. On a ticket with a Washington insider (John Boehner?), he would be a formidable opponent for Barack Obama.

John Hallinan
Sydney

A dog's tale



SIR - It was lovely to see your reference to a *New Yorker* cartoon from 1993 of one canine saying to his pooch pal that "On the internet, nobody knows you're a dog" ("Anonymous no more", March 12th). Recently, my dog Ursa set up a Facebook account. She has acquired more than 30 friends now, including several of my kid's acquaintances who would never friend me directly. They all know that Ursa is a dog. Mostly my wife and I post things that we think Ursa would say, and she has entered several provocative discussions.

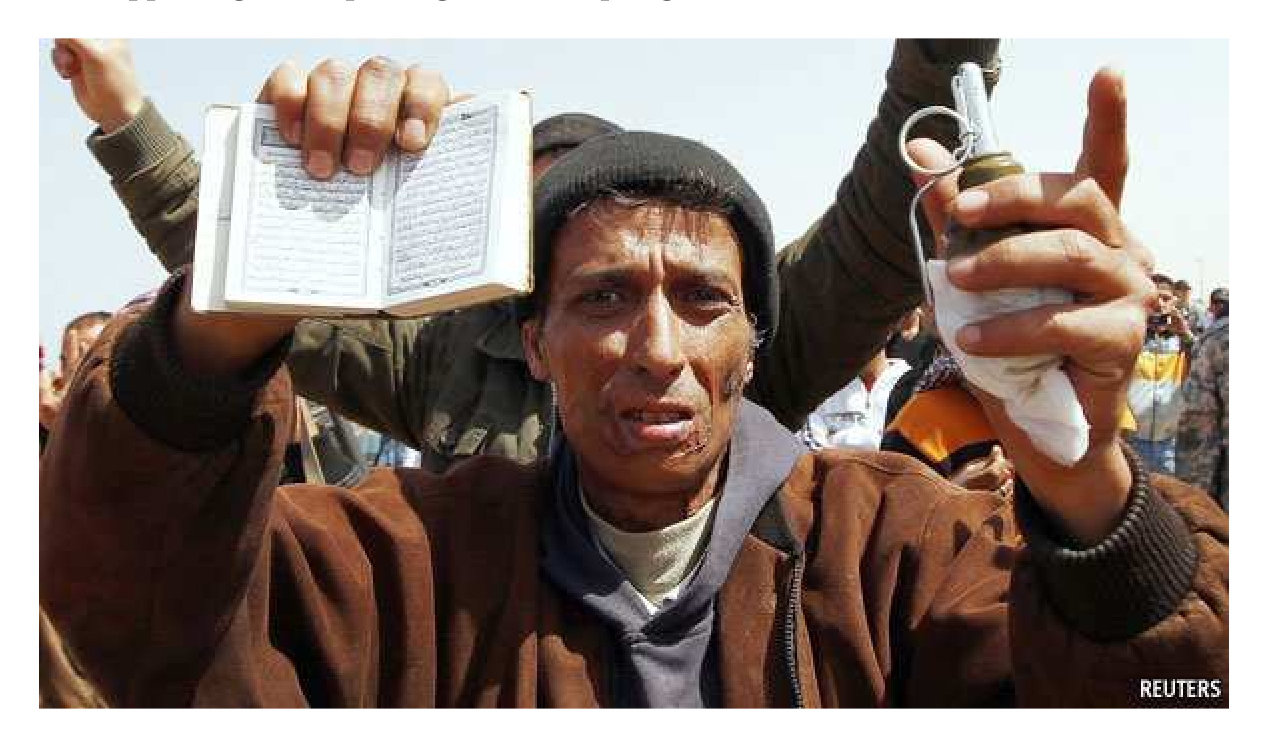
My point is that the web has become a much more sophisticated place since 1993. Now people on the internet know you are a dog but they still treat you as an equal. Of course cats are still excluded as they continue to be evil power-hungry villains.

Tom-Robbins Milne
New York

Islam and the Arab revolutions

A golden opportunity?

Jihadists are both supporting and exploiting the Arab spring



AT FIRST sight, it looks familiar. Veterans of the Afghan *jihad* operate training camps in Libya's lush Green Mountain, overlooking Europe's shipping lanes. Armed *jihadis* cruise the dusty streets with their armed acolytes. Preachers rouse their followers to take up weapons.

But something is out of kilter with Muammar Qaddafi's claims that Libya's revolution is an al-Qaeda plot. These *jihadis* enthusiastically back the NATO-led bombing campaign. "A blessing," says Sufian bin Qumu, an inmate for six years of a pen in Guantanamo Bay, who drove trucks for Osama bin Laden's Sudanese haulage company before heading to the Afghan camps. "Excellent," echoes Abdel Hakim al-Hisadi, a rebel commander who trained in Khost camp, Mr bin Laden's base in Afghanistan. "It's changed the way we look at the West. They saved our people and we have to say thanks."

Not since Western governments first armed the anti-Soviet mujahideen in the 1980s have Western and *jihadi* groups seemed so aligned. To a man, they proclaim their differences from al-Qaeda, insisting that from the first they have waged a local struggle against a tyrannical ruler, not a global struggle targeting the West. In the mid-1990s they formed the Libyan Islamic Fighting Group, which for five years waged a guerrilla war in the hills above Darna, a coastal town north-east of Benghazi. Though many fled to Afghanistan after Colonel Qaddafi's counter-insurgency, most kept their distance from al-Qaeda. "I met Sheikh Osama," says Mr Hisadi, "but refused to shake his hand."

Darna's Islamist fighters are now an integral part of the wave of protest and revolt that has spread across the Arab world. Movements that began by drawing strength and gaining adherents from secular demands-for personal dignity and political freedom-have, with time, adopted a more religious and sectarian hue. Just as the protests have empowered a long-quiescent Arab middle class, so they have released the potential of Islamism, a multi-faceted, broad-spectrum current that runs deep throughout the region, but has for decades been repressed and manipulated by most Arab regimes. And some of its manifestations, as in Darna, are surprising.

The freeing by post-revolutionary Egypt and Tunisia of thousands of Islamist political prisoners has closed a dark chapter for human rights in those countries. Outfits like Libya's Islamic Fighting Group and Egypt's Jamaat Islamiya, both of which pursued terror campaigns in the 1990s and were on the radical fringe, express a newfound keenness for peaceful politics, explaining that their past resort to violence was only a response to repression. The Libyan Islamic Fighting Group

has changed its name to the Libyan Islamic Movement, and its 12-member politburo has pledged allegiance to the National Council in Benghazi.

Milder Islamists, including Egypt's powerful Muslim Brotherhood and like-minded associates elsewhere, find today's greater freedom exhilarating, but also challenging. Shorn of the comfort of posing as noble opponents of hated regimes, they must dirty their hands with politics, propose concrete policies and accept diversity within their own ranks. Younger members, fresh from the novel experience of working with liberal secularists and even communists to achieve shared goals, increasingly question the aloof dogmatism of ageing leaders. This emerging Islamist mainstream looks for its model not to theocracies such as Iran's, but to the democratically elected AK party in Turkey, with its Islamic flavour diluted by tolerance for others and respect for secular institutions.

But there are also more disturbing manifestations of the Islamists' rise. Ask Anwar Mitri, a 45-year-old school administrator in the Upper Egyptian province of Qena. On March 20th self-appointed Muslim vigilantes in his village arrested him, "tried" him and lopped off his right ear. They said this was his punishment for renting a flat to a woman who they claimed was a prostitute, and for allegedly having sex with her. Mr Mitri says his attackers told him that "Nazarenes" like himself, a member of Egypt's 8-10% minority of Coptic Christians, were no longer protected by State Security Investigations, a feared secret-police branch that has been largely neutralised since the overthrow of President Hosni Mubarak's regime.

Similar attacks in other parts of rural Egypt have targeted liquor stores, alleged brothels and, in one fatal case, a Muslim farmer accused of apostasy. The perpetrators are widely assumed to be Salafists, adherents of a fundamentalist group influenced by Saudi Arabia that has made strong inroads, particularly among Egypt's poorest classes. Some assert that such incidents, as well as pre-revolutionary terror attacks targeting Egyptian Copts, may instead be the work of rogue secret policemen, whose aim is to stir sectarian divisions. Whatever the cause, Egyptian Christians have grown increasingly fearful. A recent rumour that Salafists planned to throw acid at unveiled women was enough to prompt the evacuation of Christian students from a university dormitory in the Upper Egyptian city of Asyut.

Like the Muslim Brotherhood, Egypt's Salafists represent a diversity of opinion. Most condemn such excesses and have, in the past, generally professed an aversion to politics. Shortly before Egypt's revolution, one Salafist preacher went so far as to pass a death *fatwa* on Mohamed ElBaradei, the Nobel prize-winning former UN nuclear chief who has become a leading figure of Egypt's secular opposition, for the sin of disobedience to the country's "rightful leader", Mr Mubarak.

But as Egypt's protest movement gained enough momentum to overthrow the Mubarak government, Salafists, many of whom had experienced imprisonment or torture under his regime, eagerly joined in. In mid-March, when Egyptians voted in a referendum on whether to accept revisions to their constitution, Salafists were credited with boosting support for the winning yes vote by fanning fears that Christians and secularists planned to scrap an article that describes Islamic *sharia* as "the principal source of legislation". To vote no, they whispered in an effective campaign using Friday sermons and leaflets, would be a vote against Islam.

Such sectarian undertones have been exploited by religious radicals, as well as governments, in Bahrain, Syria and Saudi Arabia. The Sunni ruling family of Bahrain has for years quietly fuelled Sunni fears that the island kingdom's 70% Shia minority is being manipulated by agents from the Shia "superpower", Iran. The pro-democracy protests that erupted in January, and have since been crushed, began with a secular agenda for reform, but under the pressure of a violent crackdown inevitably took on a more sectarian cast.

Similarly, demonstrations in the Syrian city of Deraa erupted in mid-March to protest against the jailing of minors for spraying graffiti. As a cycle of violent repression and counter-demonstrations took hold, with dozens shot dead by police gunfire, anger spread, particularly among Sunni Muslims. They make up two-thirds of Syria's population, but have historically chafed at the dominance, during 40 years of rule by the Assad family, of the Alawites, an offshoot of Shia Islam whose adherents account for some 6% of Syrians.

The broader opposition, which suffers a legacy of harsh state repression and internal factionalism, has struggled to contain sectarian impulses. But the regime of Bashar Assad has been quick to exploit public nervousness over religious differences to secure acquiescence in his continued rule. Having witnessed at close hand the bloodshed in neighbouring Iraq and Lebanon, even many of Mr Assad's detractors still appear willing to settle for limited freedoms in exchange for social peace.

A headache for the West

It is not just in countries prone to sectarianism that Islamist extremists appear emboldened. The latest issue of *Inspire*, an online jihadist magazine that declares itself the English-language mouthpiece of al-Qaeda in the Arabian Peninsula (AQAP), the Yemen-based franchise of Osama bin Laden's global jihadist group, hails the Arabs' revolutionary fervour as a golden opportunity. "The revolutions that are shaking the thrones of dictators are good for the Muslims, good for the mujahideen and bad for the imperialists of the West and their henchmen in the Muslim world," declared its lead editorial on March 29th.

Such enthusiasm has yet to be reflected in any detectable rise in the influence of armed jihadist groups. Nevertheless the escalating lawlessness in Yemen, where opposition to the rule of President Ali Abdullah Saleh unites a ponderously broad alliance, has sharply reduced security pressure on AQAP. (Its bold raid on a munitions factory in the southern Yemeni province of Abyan prompted a subsequent explosion that killed as many as 150 people on March 28th.) But it worries the Western powers intervening in Libya. Eastern Libya, the anti-Qaddafi rebels' stronghold, has long been a hotbed of Islamist activism. Darna, in particular, is said to have contributed a bigger proportion of jihadist fighters in Iraq than any other Arab city.



The Koran or Karl Popper?

Admiral James Stavridis, NATO's supreme allied commander for Europe, recently told American senators that "flickers" of intelligence suggested the presence of al-Qaeda and Hizbullah, the Lebanese Shia guerrilla group, among Libya's opposition. But he also said that its leadership appeared to be "responsible men and women". Observers are not impressed by the opposition's competence, but agree that radical elements appear to be a small minority. Their anger is for the time being directed solely towards Colonel Qaddafi and his regime, and their stated aim is to create a modern, pluralist, democratic state.

The fears, expressed loudly in Israeli opinion columns and echoed by conservatives further west, that Arab democratisation could prove a Trojan Horse for radical Islam, often fail to account for another factor. Although the fate of Palestine still unites Islamists of all stripes, they appear divided on nearly everything else.

Some, for instance, continue to decry Western intervention in Libya as an imperialist crusade, despite the fact that it followed invitations from both the Arab League and the Organisation of the Islamic Conference, the world's main pan-Islamic body. While the extremists of al-Qaeda cheer the democratic wave as an opportunity, Saudi Arabia's arch-conservative, state-backed clergy have condemned it as tantamount to heresy. Iran's state-censored media has fumed about the sad fate of Bahrain's democracy movement, and celebrated the overthrow of "tyrants" in Egypt and Tunisia. But they have kept eerily mute regarding the bloody stifling of dissent in Syria, Iran's sole Arab ally.

Yusuf al-Qaradawi, the Egyptian-born star preacher on the Al Jazeera satellite channel, has proved a powerful cheerleader for protest movements everywhere. Not content simply to approve Western intervention in Libya, he passed a *fatwa*

promising heavenly reward to any Muslim who kills Colonel Qaddafi. But as a Sunni Muslim close to the Muslim Brotherhood, he has condemned Bahrain's democracy activists as Shia bigots and tools of Iran.

The Muslim Brotherhood itself appears to be splitting, though not along dramatic ideological lines. The group, founded in Egypt in 1928, has been an important incubator of Islamist movements, and has survived decades of repression. Its highly disciplined youth movement proved crucial to the protests that overthrew Mr Mubarak. Now many of its more articulate members appear likely to gravitate towards a new political party, founded by a disgruntled former member of the Brotherhood's guidance bureau, rather than one backed by the bureau's leaders.

Meanwhile, in Libya's revolution, radicalism is showing a reasonable face. In a Friday sermon outside Benghazi's courthouse, the uprising's base, the preacher calls for a democratic civil state. "The discourse that I'm hearing is democratic," says Zahi Mogherbi, a Benghazi political-science professor who blames radicalisation on the colonel's repression.

In Darna, councillors struggle to explain why the town has sent so many jihadists to foreign wars. "Before Muammar [Qaddafi], we had no Islamic movement and no Islamist problems," explains a local judge. "He wanted to delegitimise his opposition." The city prided itself on its reputation as an intellectual hub, before the colonel smothered Libya's chattering classes.

In the mountains above town Mr Hisadi, the rebel commander, is offering cursory drills to fresh recruits. He insists that he and his acolytes will lay down their arms once Colonel Qaddafi is toppled. He hopes for warm ties with the West, and aspires to recover his pulpit in the mosque from which the colonel expelled him. Mr bin Qumu, Mr bin Laden's truck driver, wants to write his autobiography, and to open a school teaching ethics.

The civil war

Finally passing

Assessing America's bloodiest war, 150 years later



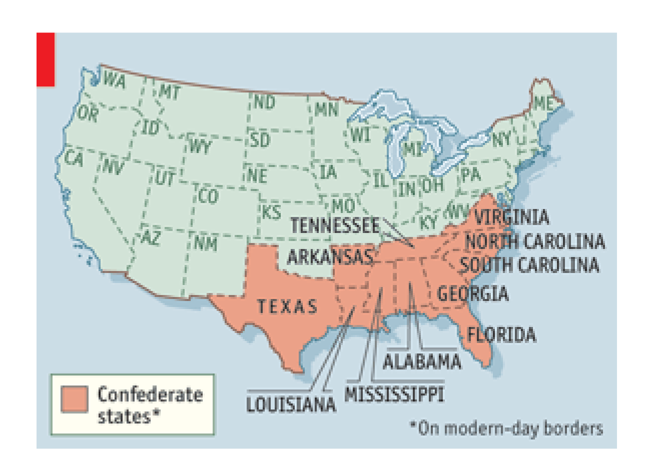
IN FEBRUARY 1961 the festivities marking the centennial of Jefferson Davis's inauguration as president of the Confederacy drew some 50,000 revellers, including the governors of three southern states, to Montgomery, Alabama. In the run-up to the commemoration, which lasted a week, white Alabamans formed "Confederate Colonel" and

"Confederate Belle" chapters. Teachers came to school in period costumes. Hundreds lined the streets to escort the actor playing Davis from the railway station to the Exchange Hotel, where he was met by the sitting chief justice of Alabama's Supreme Court portraying his antebellum counterpart. The next night 5,000 people attended a centennial ball.

Compare Montgomery's centennial with the sesquicentennial, which this February drew a ragtag few hundred enthusiasts (and no elected officials) to parade through Montgomery. The 1961 celebration took place in a South engulfed in a battle over segregation. The war's ultimate legacy was not yet clear. But that battle is now over. Forced segregation, the Confederacy's last death throes, lost. A black man now sits in the White House, and by most economic indicators the South has drawn nearly level with the rest of the country.

This month marks the 150th anniversary of the American civil war's beginning. The first shots were fired at Fort Sumter, in South Carolina, on April 12th 1861. Passions can sometimes still flare-as William Faulkner, the South's great novelist, wrote, "The past is never dead. It's not even past." Earlier this year, for instance, a group of Mississippians proposed honouring a Confederate general who later became the first Grand Wizard of the Ku Klux Klan with a special car licence-plate. In South Carolina more than a thousand people marched through downtown Columbia in January to protest against the flying of the Confederate flag on the statehouse grounds.

Such lingering echoes are hardly surprising, though they are ever rarer. The war split and nearly broke America. It killed 620,000 soldiers-more Americans than died in all the country's wars until Vietnam, combined. And it set 4m slaves free.



In 1860 in the 11 future Confederate states, 38% of the population-including majorities in Mississippi and South Carolina, and nearly a majority in Alabama, Florida, Georgia and Louisiana (the other Confederate states were Arkansas, North Carolina, Tennessee, Texas and Virginia)-was enslaved. The South's economy depended on them. During the 19th century the North's economy became largely industrial and increasingly urbanised. The South remained largely agricultural, its wealth concentrated in land and slaves. The war destroyed that wealth. Income per head in the South dropped to less than 40% of that in the North, and stayed there for the rest of the century. As late as 1938 Franklin Roosevelt singled out the South as "the nation's No. 1 economic problem."

Yet after the huge public investments of the New Deal and the second world war, the South began to attract industry and manufacturing-in part precisely because it was poor, and its labour cheap. Today, average income per head in the 11 former Confederate states has almost caught up; it is $36,350, compared with a national average of $40,584. Admittedly, the aggregate figure masks great regional differences. Agriculture, manufacturing and mineral production remain central to the economies of the Deep South states; almost all of the former confederate states are poorer than average (with Mississippi the poorest state in the union). Virginia, by contrast, ranks 7th among states in income per head; it has a thriving tech sector, as well as a number of federal agencies and wealthy suburbs of Washington, DC. North Carolina boasts its own tech hub in the university triangle of Raleigh-Durham.

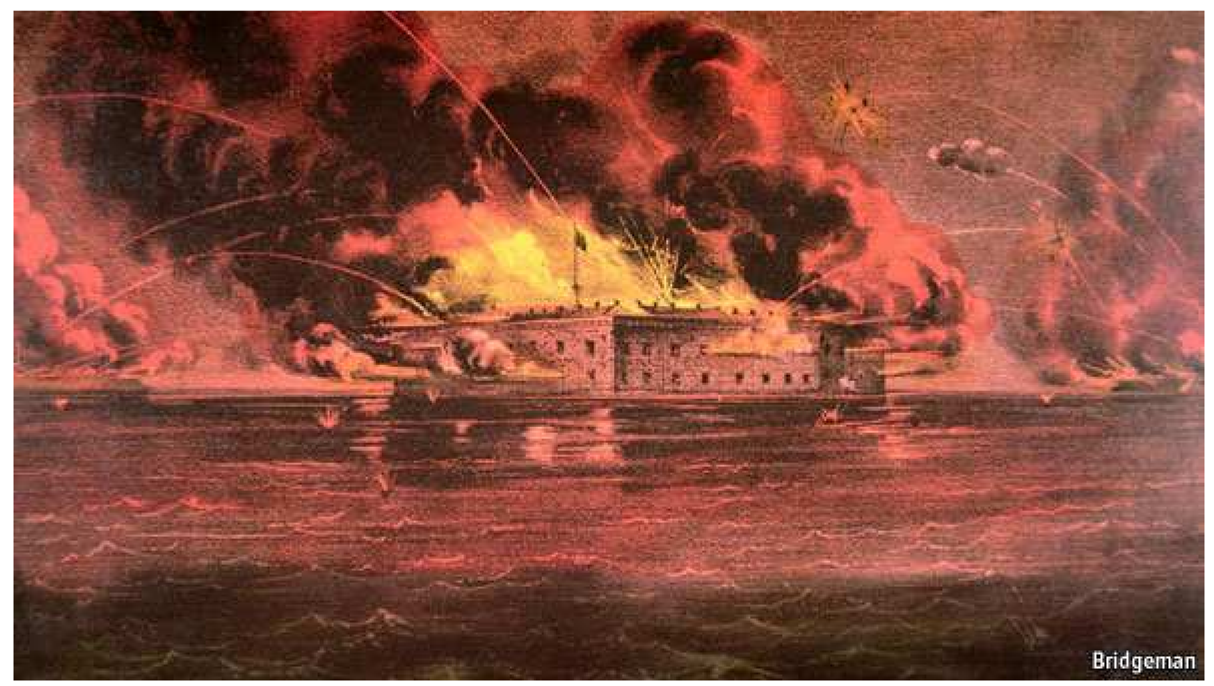
Texas and Florida both face budgetary problems, but so do many states. Economically they more closely resemble Arizona, another state that has boomed over the past decade, than they do other Southern states. Similarly, Mississippi's companions at the low end of the per-capita income table are West Virginia and Idaho, neither of which fought for the Confederacy. Like Mississippi, they lack a big city, have relatively uneducated populations and rely heavily on mining and agriculture. The poverty of the Deep South is less southern than rural. The economic legacy of the war, in other words, has all but faded.

Strong government, hated government

Politically as well as economically, the civil war left the South broken and directionless. Jefferson Davis was captured in southern Georgia a month after his best general, Robert E. Lee, surrendered. Abraham Lincoln advocated reconciliation, but he was shot just five days after Lee's surrender. The next election, in 1866, put Congress under the control of radical Republicans, who stationed federal troops throughout the South.

Republican Congresses also passed the 14th and 15th amendments to the constitution, which stated that everyone born in the United States had certain rights as citizens that states could not take away, and that states could not bar people from voting due to "race, colour or previous condition of servitude". Those amendments, like the 13th, which banned slavery, came with clauses granting Congress the power to enforce them. Such grants of power were new. The Bill of Rights limited federal power. These post-civil-war amendments expanded it.

But if a more powerful and active federal government is one enduring legacy of the war, another is distrust and even hatred of that government. White southerners resented "carpetbaggers" and "scalawags"-their terms, respectively, for northerners who came south after the war to seek their fortune, and for white southerners who supported the federal government. Some of these attitudes persist. In late 1865 Confederate veterans in Tennessee formed the Ku Klux Klan, a terrorist organisation that used violence against former slaves. It still survives, milder on the surface but vicious underneath.



How it all began

For most of the next hundred years, white southerners ardently subverted the promises of the civil-war amendments by enacting the segregationist policies that came to be known as Jim Crow laws. These laws gained legitimacy when the Supreme Court ruled in 1896 that laws enforcing segregation were constitutional, provided the facilities available for blacks and whites were equal. In practice they never were, but segregation remained law and custom in the South. The Supreme Court signalled an end to all that in the 1954 case *Brown v Board of Education*, which ruled that separate facilities were inherently unequal.

But that ruling set off huge resistance in the South. The governors of Alabama, Arkansas and Mississippi all physically blocked black students from entering formerly white schools. The long dormant Ku Klux Klan rose again. This time, however, southern resistance was met both by organised civil disobedience and by some measure of federal will. John Kennedy and his successor, Lyndon Johnson, were Democrats and civil-rights advocates, willing to use federal muscle where other presidents were not.

The civil-rights movement presaged a partisan sea-change in American politics. After the war, Republicans were anathema in the South, and southerners were anathema in national politics. Before the outbreak of war southerners had dominated federal political institutions, producing most of its presidents, House speakers, Senate leaders and Supreme Court justices. After the war's end, the next president to be elected from a former Confederate state was Johnson, a Texan, in 1964. Johnson signed the Voting Rights Act of 1965 into law with Martin Luther King and Rosa Parks in attendance. His advocacy discomfited segregationist southern Democrats such as John Stennis and Strom Thurmond. Thurmond switched parties early, in 1964. Others followed.

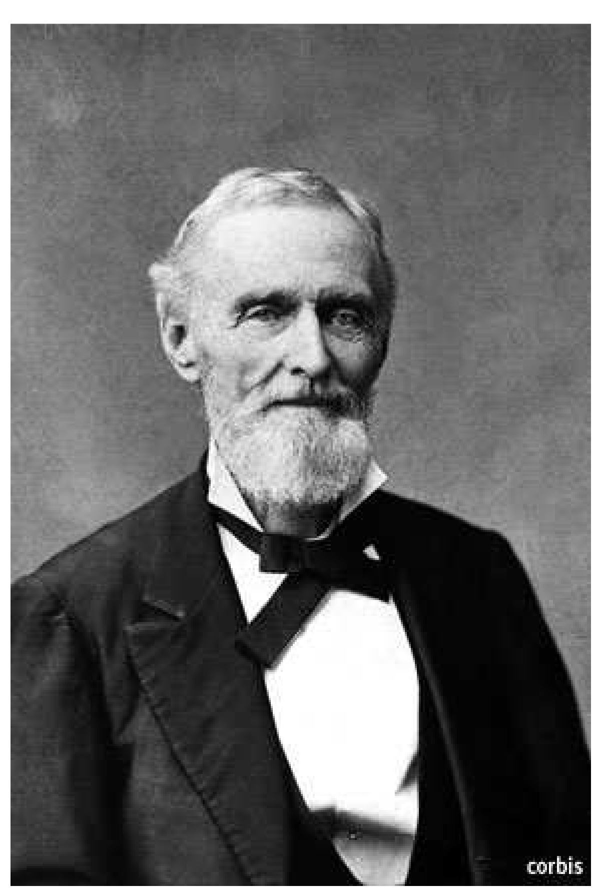
In 1980 Ronald Reagan's advocacy of smaller, less intrusive government resonated nationally, but he made a particular push for southern white Democrats. During the civil-rights era, segregationists often couched their position as a defence of "states' rights"; and Reagan's endorsement of those rights at a Mississippi county fair, while campaigning for the presidency in 1980, sealed his success in the South. His election gave Republicans control of the Senate for the first time since 1955.

Since then the South has grown steadily more Republican, though two of the three Democrats elected after Johnson-Jimmy Carter and Bill Clinton-were southerners, who could attract southern whites. Today most southern members of Congress are Republican. And southern states are growing much faster than northern ones. In the next Congress Texas, Florida, Georgia and South Carolina will all add seats at the expense of the north-east and the Midwest.

The long tail

Segregation was the civil war's long tail. In 1963, two years after the mock inauguration of Jefferson Davis, George Wallace, Alabama's governor, stood on those same capitol steps and declared that "from this cradle of the Confederacy, this very heart of the great Anglo-Saxon Southland...I say segregation today, segregation tomorrow, segregation for ever." Segregation was so unjust that it is easy to see it as inevitably doomed. It was not. It took blood and struggle to end it. But ended it was, and two decades later Wallace himself, the face of segregation, apologised for his words.

Ten years after that, the South elected its first black governor, Douglas Wilder in Virginia. In 2008 Barack Obama won Virginia, North Carolina and Florida and ran strongly in Georgia. The gap in black and white voter registration has narrowed dramatically throughout the South. And black Americans, who left the South in the early 20th century in what became known as the Great Migration, are moving back. Today Atlanta is home to more blacks than any city apart from New York, and 57% of black Americans live in the South-the highest proportion since 1960.



Jefferson Davis saw the light

Voting remains racially polarised; southern whites tend to vote Republican and southern blacks Democratic. In 2008, for instance, Mr Obama won 98% of the black vote in Alabama and Mississippi but only 10% and 11% of the white vote. But that is hardly unique to the South: Mr Obama ran 12 points behind John McCain nationally among white voters. And racially polarised voting is both a subtle problem-a far cry from the obvious injustice of segregation and slavery-and a waning one. Young white voters backed Mr Obama in much higher numbers than older ones did.

This March Haley Barbour, who has a record of racially insensitive remarks, said in an interview: "Slavery was the primary, central cause of secession...abolishing slavery was morally imperative and necessary, and it's regrettable that it

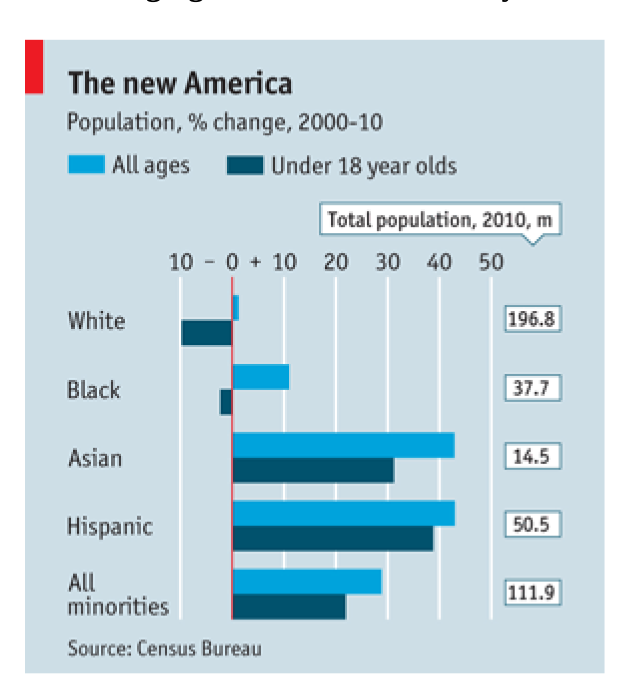
took the civil war to do it. But it did." Mr Barbour wants to be president. His remarks not only directly refute the ancient argument that slavery was not the principal cause of the war; they showed that there is no longer political gain in pretending otherwise.

Some people have lamented the relative public indifference to the anniversary this year, compared with 50 years ago. But back then the war's fundamental question-whether all American citizens are equal, regardless of race-was not fully answered. Today it is. This is not to say that racism no longer exists, or that white southerners will not continue to oppose Mr Obama in greater numbers than any other demographic group. But their battle with him will be at the ballot box. In his last appearance, in 1889, Jefferson Davis told the young southerners in his audience: "The past is dead; let it bury its dead ...let me beseech you to lay aside all rancour, all bitter sectional feeling, and to take your places in the ranks of those who will bring about a consummation devoutly to be wished-a reunited country." His last wish now seems to stand fulfilled.

The census

Minority report

White America's collapsing birth rate is changing the face of the country



AMONG America's three-year-olds, a revolution is afoot. Children of that age are turning the country's demographics on its head. According to a recent study from the Census Bureau, the majority of them are now from groups normally considered minorities, chiefly Hispanics and blacks. The latest release of data from last year's decennial census confirms that whites still constitute a slender majority, 54%, of those under 18, and a larger one, 64%, of the population as a whole. But America's transformation into a much browner, more suburban, more southern and western place is rapid and relentless.

Over the past decade America's population has grown by 9.7%, to 309m. Minorities accounted for 92% of that growth. The ranks of Hispanics swelled by 43%, to 51m. The Asian population grew at the same rate, to 15m. Blacks increased in number by 11%, to 38m. All minority groups put together jumped by 29%, to 112m. Minorities now form the majority in America's two most-populous states, California and Texas, as well as in Hawaii, New Mexico and Washington, DC. They account for the majority of children in six more: Arizona, Florida, Georgia, Maryland, Mississippi and Nevada. And their numbers are growing particularly fast in previously lily-white places such as Iowa and New Hampshire.

Meanwhile America's white, non-Hispanic population grew by only 1.2% from 2000 to 2010. In 15 of the 50 states, it shrank. California lost 5% of its whites; New Jersey and Rhode Island both shed 6%. The number of white children fell in 46 states, for an overall decrease of 10%. Whites, explains Bill Frey of the Brookings Institution, a think-tank, are older, have fewer children anyway and make up a relatively small proportion of immigrants, so their share of the population is destined to go on falling.

The giant sucking sound emanating from the South and West, another leitmotif of American demographics, continues unmuffled. Both regions grew by 14%, while the north-east and the Midwest managed just 3% and 4% growth respectively. People are fleeing the cold: there is a strong correlation between the average temperature in January and population growth, notes Edward Glaeser, a professor of economics at Harvard University. He also attributes the rapid expansion of cities like Atlanta, Dallas, and Houston to their cheap, abundant housing.

Even in the sunbelt, however, many rural areas are losing population. The trend is particularly acute in the plains states, but also pertains in much of the Midwest and the South. The proportion of Americans living in urban areas rose from 93.2% in 2000 to 93.7% last year, with big cities growing faster than small ones. Most of this growth occurred in the suburbs rather than the inner cities, Mr Glaeser adds, with the more prosperous metropolitan areas and those with better educated residents growing especially fast. Areas with lots of manufacturing grew more slowly.

Michigan, with its long-suffering car industry, was the only state to see its population shrink over the decade, albeit by less than 1%. (Puerto Rico, an American territory with economic troubles of its own, lost 2% of its inhabitants.)

What all this means for politics is the subject of some dispute. Right-wing analysts herald the ballooning population of the Republican-leaning states in the South and West and the relative stagnation of the Democratic bastions in the Midwest and north-east as proof of the superiority of Republican policies. What is more, they crow, faster growth is bringing more seats in the House of Representatives to Republican states, which could help to cement their current majority. Conservative Texas, for example, is gaining four seats in the reapportionment set in train by last year's census; liberal New York is losing two.

But Democrats counter that the growth the Republicans are celebrating comes from natural Democratic constituencies. Minorities, they point out, tend to vote Democratic, whereas the dwindling white, rural population is largely Republican. By this logic, Democratic infiltrators are gradually undermining Republicans' control over their territory from within. Barack Obama, after all, carried previously Republican-leaning western and southern states such as Colorado, Nevada, North Carolina and Virginia on his way to the White House in 2008. If he can maintain his share of the vote among blacks and Latinos, he will be hard to beat in 2012.

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The changing colour of cities

Black flight

Now it is the turn of America's blacks to leave for the suburbs



The takeover and the makeover

IN THE 1990s black Americans began returning in significant numbers to the South. This marked a reversal of the Great Migration, in which their parents and grandparents fled Jim Crow racism in the 1920s and 1930s for jobs in the industrial cities of the north-east, Midwest and West. But since 2000 the destination of many inner-city blacks has shifted again, according to details from the latest census. From Oakland to Chicago to Washington, DC, blacks are surging from the central cities to the suburbs.

Analysis of 2010 census data by William Frey, chief demographer for the Brookings Institution, shows that more than half the cities with large concentrations of blacks have seen significant declines in their black populations. About half of black Americans now live in the suburbs, up from 43% in 2000.

This is proving a mixed blessing. Well-educated blacks are finding better jobs, bigger houses and newer schools, just as white-flight suburbanites did in previous generations. But many lower-income migrants from the inner cities are finding poverty, crime and poor social services when they arrive in their new homes. In the past decade, poverty has increased more than twice as fast in the suburbs as it has in the cities.

Although the black exodus is happening across the country, its consequences are especially vivid in Seattle and nearby Portland, two of America's whitest big cities. In each of these cities, blacks were squeezed by restrictive property covenants and racial prejudice into a small but highly visible central district-black-majority islands in a white sea.

By 2010 the islands had largely gone. Seattle and Portland had become "smart cities", magnets for hordes of young, highly educated and highly paid newcomers, most of them white and childless. Hungry for "diversity" and rushing into relatively rundown black neighbourhoods, they snapped up the only housing bargains left. White-owned banks were eager to make loans to yuppies. Tens of thousands of houses were gutted and rebuilt. As gentrification gathered pace, property prices exploded. Black homeowners cashed in, taking their windfalls to the suburbs. Black renters were squeezed out by higher rents.

"My clientele has all moved away," says Charlene Williams, owner of De Charlene's Beauty & Boutique in Seattle's Central District. Her neighbourhood was 79% black when she set up shop in 1968. It was 58% black as recently as 1990. Now it is 21% black. Ms Williams once had 13 hairdressers on her payroll; now she employs none. The young Ray Charles once performed in black-owned nightclubs in the Central District. Those clubs are gone, as are the restaurants where Ms Williams used to buy pork-chop sandwiches and peach pie. Eateries now offer crepes, wood-fired artisan bagels and north-west fusion cuisine.

The total number of blacks in the greater Seattle area has grown in the past decade, but they are widely dispersed to suburbs such as Renton, a dozen miles away. A few thousand black Seattleites still get together on Sunday mornings. They drive in from the suburbs to downtown churches. "There's a community," says Ms Williams, "but no unity."

Barack Obama's energy policy

Recycled

Platitudes from the president

FOR 40-odd years now, as Barack Obama lamented on March 30th, American politicians have banged on endlessly about the evils of America's dependence on imported oil, without doing very much about it. It was time, he declared, to change that, with a package of initiatives that would cut America's oil imports by a third within a decade, according to the White House's calculations. Unfortunately, however, Mr Obama's scheme seems doomed to go the same way as all the brave talk from his predecessors, not to mention his own rhetoric on the campaign trail.

Mr Obama's plan has four main strands: increasing domestic production of oil, boosting the use of biofuels and natural gas as substitutes, encouraging the spread of electric cars and making petrol-powered vehicles more efficient. He also chucked into the mix his "clean energy standard", a scheme to promote less polluting forms of electricity generation, even though it has nothing to do with oil imports (energy generation relies on coal, gas, nuclear or renewables, but not on oil, which is used almost exclusively for transport, heating and industry.)

None of this is new. The clean-energy standard was first wheeled out in Mr Obama's state-of-the-union speech in January, and is anyway only a rehashed version of a much older proposal to promote renewable energy, with nuclear power and natural gas bolted on to broaden its appeal. The administration was already working on a fresh series of ever more demanding fuel-efficiency standards for vehicles for when the current lot run out in 2016. Mr Obama had also previously pledged to nurture growth in domestic oil production, to counter Republican cries of "Drill, baby, drill."

As for biofuels, the government has been subsidising them for decades, and the Department of Energy is already lending money to the sort of high-tech but handout-dependent plants that the president says he wants more of. Even talk of encouraging natural-gas vehicles is nothing new: T. Boone Pickens, an irrepressible oilman who is now an apostle of gas and wind power, has buttonholed half of Congress, and anyone else who will listen, on the subject.

Worse, those parts of the president's plan that need congressional approval-the clean-energy standard, more subsidies, extra funding for research on whizz-bang energy technology-will never receive it. The Republicans who control the House are dead set against anything that smacks of greenery, not to mention anything that would add to spending at a time when they are trying to take an axe to it. They have already ruled out the president's signature energy policy: a cap-and-trade scheme to reduce emissions of greenhouse gases. They are also trying to rein in the Environmental Protection Agency. The best the president can hope to do is hold the line, and preserve the EPA's existing authority over emissions. So it is hard to see his recycled list of proposals as anything more than a reassurance to the environmentally minded, and to Americans fretting about rising fuel prices, that the president feels their pain-unlike those nasty Republicans.

Arizona divided

A tale of two counties

Part of Arizona, embarrassed by the rest of the state, would like to secede

OVER his second beer at The Shanty in Tucson, a pub popular among Democrats, Paul Eckerstrom gets to the point. "We don't like Phoenix," he says of the state capital in Maricopa County to the north, home to more than half of Arizona's

population. So Mr Eckerstrom, a lawyer and former chairman of the Pima County Democratic Party, has launched the long legal process to secede and form a new state, tentatively called Baja Arizona.

This idea of Baja Arizona is not new. Some trace it back to the Gadsden Purchase of 1854, when America bought from Mexico a strip of land south of the Gila river that was not included in the earlier cession after the Mexican-American war. More recently, the Midwestern snowbirds and others who flooded into Arizona mainly settled in Maricopa, making it politically dominant and distinct.

The differences start with the aesthetic. Middle-class houses in Phoenix tend to have lawns, whereas Tucson's mostly have desert landscaping, with artful cacti and such. Thomas Volgy, a politics professor at the University of Arizona and former mayor of Tucson, says that Maricopans want "to recreate Michigan", whereas people in Pima accept that they live in a desert and use water responsibly.

Tucson is at heart a college town, the home of the state's flagship university. To the extent that intellectuals (such as Mr Volgy) moved to Arizona, they favoured Tucson. Pima County also has an old and rooted Hispanic community. By contrast, Maricopa is a largely white society with more recent Mexican immigrants. And whereas Maricopa is inland, Pima is on the border, which has always made its debate about immigration "more nuanced" than Maricopa's, according to Mr Volgy.

In Pima County and neighbouring Santa Cruz, this has led to moderate politics of a slightly Democratic hue, while Maricopa has become a Republican bastion. In the days of the Phoenix-born Barry Goldwater, Maricopa's conservatism was libertarian. But in recent years, as an ageing white population faces the increasingly brown young, it has turned nativist.



The epitome of this nativist turn is Joe Arpaio, Maricopa's sheriff (pictured right), who is notorious for his severity toward people he suspects of being illegal immigrants. By contrast, Mr Arpaio's counterpart in Pima County, Clarence Dupnik, though tough as nails, is seen as even-handed in his law enforcement, which makes him a lefty on Arizona's spectrum.

The career of Russell Pearce is another example. For many years Mr Pearce was one of Mr Arpaio's most enthusiastic deputies. Last year, as a Republican state senator, he sponsored SB1070, an anti-immigrant law so draconian that a federal judge promptly suspended parts of it. Mr Pearce has since become president of the state Senate and has followed up with a barrage of right-wing bills. One of these would have allowed Arizona to nullify federal laws it did not like.

The legislature last month voted against this package of bills after Arizona's business leaders, fearing for the state's reputation, lobbied against it. But to people like Mr Eckerstrom in Pima County, the mere attempt to pass a "nullification" law was too much to bear, suggesting that Maricopa, claiming to speak for Arizona, wants in effect to secede from America. Better, he thought, to secede instead from Maricopa.

There is another aspect to this story. It was in Tucson that Gabrielle Giffords and 18 other people were shot in January. Ms Giffords, a moderate Democratic congresswoman, also frequented The Shanty, and one of her campaign posters still hangs on the wall. Nobody there blames anyone but the gunman for the shooting. But people in Tucson saw it as a warning. Sheriff Dupnik called Arizona "the mecca for prejudice and bigotry". In response to the shooting, the University of Arizona launched a National Institute for Civil Discourse. Its director says that Arizona has been "a test-bed for uncivil politics."

Amid these sensibilities, the Maricopan extremism of Mr Pearce seems less tolerable. Many in Tucson roll their eyes when discussing the legislature's proposals to liberalise Arizona's gun laws, already lax, by allowing guns on university campuses.



So secession is tempting. Mr Eckerstrom cites Maine, which split from Massachusetts in 1820 after years of trying. And West Virginia seceded from Virginia in 1861, rather than join the Confederacy. Admittedly, most secession movements fail, and some are merely symbolic. Bits of Washington and Oregon have long talked about joining with British Columbia to form "Cascadia". Texans talk about secession as Britons discuss the weather (endlessly, without doing anything about it).

The rift between Maricopa and Pima is different. Some compare it to that between Flanders and Wallonia in Belgium: complicated but real. The easy part will be collecting signatures in Pima County to place a non-binding initiative on local ballots in 2012. Other counties, such as neighbouring Santa Cruz, might do the same. The county governments would then ask the legislature in Phoenix to agree to the split, which Congress in Washington, DC, would need to ratify.

Mr Volgy, who has a faded "Baja Arizona" sticker from 1987 on his door, thinks the state legislature, dominated by Maricopans, might just let Baja go. "It used to be that we hated each other; now we hate them, and they ignore us," he says. Either way, says Mr Eckerstrom, the message to Arizonans and others is clear: "Not everybody in this state is crazy."

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Lexington

Togetherness in Libya

Barack Obama's awfully big change in America's use of force



IT IS Pavlovian. As soon as a president does something new in foreign policy, the world wants to know whether he has invented a new "doctrine". The short answer in the case of Libya is that Barack Obama has not invented a new doctrine so much as repudiated an old one. What he is also doing, however, is challenging an American habit of mind.

The doctrine Mr Obama has repudiated is the one attributed to Colin Powell, the former chairman of the joint chiefs of staff and George W. Bush's transparently miserable secretary of state when America invaded Iraq in 2003. That held, among other things, that America ought to go to war only when its vital interests are threatened, when the exit strategy is clear, and when it can apply overwhelming force to ensure that its aims are achieved. Nothing could be more different from the account Mr Obama gave Americans on March 28th of his reasons for using military force in Libya. He does not believe that America's vital interests are at stake (though some "important" ones are); the exit strategy is not entirely clear (Colonel Qaddafi must go, but who knows when, and not as a direct result of American military action); and the force America is willing to apply (no boots on the ground) is strictly limited.

None of this should be a surprise. In "The Audacity of Hope", the bestseller Mr Obama wrote as a senator in 2006, he set out a theory of military intervention. Like all sovereign nations, he argued, America has the unilateral right to defend itself from attack, and to take unilateral military action to eliminate an imminent threat. But beyond matters of clear self-defence, it would "almost always" be in its interest to use force multilaterally. This would not mean giving the UN Security Council a veto over its actions, or rounding up Britain and Togo and doing as it pleased. It would mean following the example of the first President Bush in the first Gulf war-"engaging in the hard diplomatic work of obtaining most of the world's support for our actions".

The virtue of such an approach was that America had much to gain in a world that lived by rules. By upholding such rules itself, it could encourage others to do so too. A multilateral approach would also lighten America's burden at times of war. This might be "a bit of an illusion", given the modest power of most American allies. But in many future conflicts the military operation was likely to cost less than the aftermath: training police, switching the lights back on, building democracy and so forth.

The president, it now emerges, remembers exactly what he wrote. He hesitated about whether to act in Libya (just ask the French and British, who egged him on but came close to losing hope), but he was always clear about how. All the conditions he wished for in that book five years ago have come to pass. In this week's speech he ticked them methodically off: "an international mandate for action, a broad coalition prepared to join us, the support of Arab countries, and a plea for help from the Libyan people themselves. We also had the ability to stop Qaddafi's forces in their tracks without putting American troops on the ground." Under such circumstances, he said, for America to turn a blind eye to the fate of Benghazi would have been "a betrayal of who we are".

Why does this theory of intervention, and the noble sentiment attached to it, fail to qualify as a "doctrine"? Because it is too elastic to provide a guide to future action. Would America "betray" itself by turning a blind eye to atrocities under different, less favourable, circumstances? So it seems. It has, after all, done so before, in Rwanda and Darfur-and Mr Obama appears to accept that it might have to do so again when, say, an alliance would be damaged, as in Bahrain, or the job is too hot to handle, as in Syria or Iran. Also unclear is whether an American interest must also be at stake before Mr

Obama invokes the moral case for action. Conveniently (for the purpose of selling this particular war), the president detects a "strategic interest" in preventing Colonel Qaddafi from chilling the wider Arab spring, so nobody knows.

In fairness, elasticity is not a sin; and Mr Obama does not claim to have invented anything he calls a "doctrine". The worst you can say about his approach is that it is merely commonsensical: decide the issues case-by-case while holding some idea of values and interests in mind. Many who say they want more consistency than this (typically by asking some variant of "What about Zimbabwe?") do so not because they really believe that foreign policy can be run by an algorithm but in order to embarrass Mr Obama in any way they can. Prize chump in the case of Libya this past fortnight has been Newt Gingrich, the Republican presidential hopeful who demanded consistency, called for intervention and turned on a dime the instant Mr Obama answered.

After you, Sarko

More significant, however, is that habit of mind. In Libya Mr Obama is challenging the assumption of global leadership America has taken for granted ever since the second world war. America has joined coalitions before, but never under a president quite so adamant that America is not in charge-even if the military burden-sharing is indeed a bit of an illusion.

Most Republicans and quite a few Democrats hate this. Mr Obama's hope is that America's low profile will make the war more palatable not only to the Muslim world but also to the economy-fixated voters at home who question whether America can still afford to play its traditional leadership role. What he may soon discover is that modesty extracts a price of its own. By sharing the leadership with others, he has made his policy hostage to the limited mandate (no use of force for regime change) imposed by the United Nations and the limited means of his allies in Europe and the Middle East. It may not be a doctrine, it should not be a surprise, but nobody can deny that it is a gamble.

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Peru's presidential election

The risk of throwing it all away

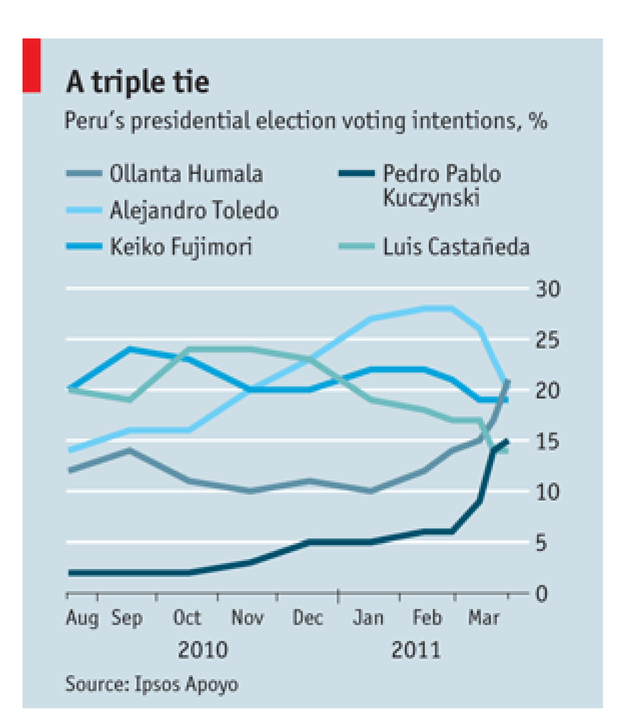
Populists like Ollanta Humala (pictured below) threaten to overcome divided moderates in one of Latin America's fastest-growing economies



LIVING in Peru's capital is like watching a film on fast-forward. Every few months you can spot a taller skyscraper, a swankier hotel, glossier shops and restaurants, new roads-and more traffic. House prices in the leafier neighbourhoods have almost doubled in the past two years. Rapid change is not confined to Lima. The only provincial cities of any size that do not already boast one or more new shopping malls and multiplex cinemas are about to get them. These are the tangible results of a decade in which Peru's GDP grew by over 5% a year, the highest rate among Latin America's bigger economies.

Since 2006 the growth has accelerated, averaging 7% despite the world recession. Some good effects have been widespread. The share of Peruvians living in poverty fell from 49% in 2004 to 35% in 2009. Much of the Pacific coast, where farmers export asparagus, grapes and a plateful of other products, enjoys full employment. Though many parts of the Andean highlands remain poor, the arrival of paved roads is cutting journey times, and some farmers there have joined the export boom with artichokes and herbs. Social indicators have improved. Between 2005 and 2010 Peru climbed 24 places in the United Nations Human Development Report, which ranks countries by income, life expectancy and educational measures. It now scores better then Hugo Chavez's Venezuela.

This success has been based on "a combination of good policies and good luck", as the World Bank put it in a report released this week. The good luck was the boom in the world price of Peru's mineral exports (it is the world's largest silver producer, second in copper and zinc and sixth in gold). The policies include the successful pursuit of price stability, fiscal rigour, foreign investment and open trade. They were first adopted in the 1990s by Alberto Fujimori, an elected autocrat whose regime collapsed amid systematic corruption, but they were pursued more effectively by two democratic presidents, Alejandro Toledo and Alan Garcia.



Given the quickening progress, one might expect Mr Garcia, the president since 2006, to have chosen a successor set to romp to victory in an election on April 10th. Both Brazil's Luiz Inacio Lula da Silva and Colombia's Alvaro Uribe managed that feat last year. But no. Mr Garcia's approval rating languishes at 26%, according to a poll by Ipsos-Apoyo. His APRA party doesn't even have a candidate.

Instead, Peru's election runs some risk of turning into a lesson in what happens when economic growth is not backed up by more effective government, and when a democracy is hobbled by weak and fragmented political parties (see article). Mr Garcia chose to pour public money into roads rather than social programmes. That helped sustain growth. But a fifth of Peruvians still lack access to piped water, almost a fifth of children are malnourished and health care is patchy. The interior ministry, run by a series of APRA mediocrities, has failed to stop Peru from becoming the world's biggest cocaine exporter. Although it is still a fairly safe country, the murder rate tripled between 2002 and 2008, according to Ciudad Nuestra, an NGO in Lima. Gangland killings among drug mafias are a frightening novelty.

Polls show that roughly two of every three Peruvians want democracy and only moderate reforms of economic policy. They retain the painful memory of a quarter-century wasted by leftist and populist policies, notably in Mr Garcia's first term in the 1980s. (It was only in 2005 that income per head surpassed its level of 1981.) But they are also disgruntled by rampant corruption, rising crime and a sense that most of the benefits of the boom are going to the few. Income distribution has become less unequal, but only a bit. And none of the politicians seems to inspire them much.



Toledo has floundered

The three candidates who stand for continuing and improving the policies of the past decade-Mr Toledo, his former prime minister Pedro Pablo Kuczynski, and Luis CastaÃ±eda, a former mayor of Lima-have squabbled among themselves. The result: a poll released by Ipsos-Apoyo on March 27th found that in a desperately tight race the front-runner is now Ollanta Humala, a populist former army officer, who came out one point ahead of Keiko Fujimori, the daughter of the former president. That suggested it could be she and Mr Humala who will go through to a run-off ballot in May.

A short, lithe, copper-skinned man, Mr Humala appeals to the third of Peruvians who have yet to see much benefit from the modern economy, partly because he looks like them. He came within six percentage points of beating Mr Garcia in a run-off in 2006. Back then he made no effort to hide his ties with Venezuela's Mr Chavez.

This time Mr Humala's pitch is more moderate, with echoes of Lula. He says he would distribute wealth more equally through a "national market economy". This seems to come down to "national planning", and renegotiating or cancelling foreign companies' contracts to run ports and operate mines and gasfields. Mr Humala also promises to give a modest non-contributory pension to the 1.2m Peruvians over 65 who, he says, do not have one. He promises to be tough on crime and corruption. He wants to change the constitution-the tactic used by Mr Chavez to stay in power in Venezuela-but he insists he will leave after five years.

Ms Fujimori's main goal seems to be securing an amnesty for her father, who is serving a 25-year sentence for human-rights abuses. She would not change economic policy. But she is hardly a guarantee of democratic reform or the rule of law.

A few weeks ago Mr Toledo was comfortably ahead in the polls. But he has come under fire for his personal failings. His critics accuse him of heavy drinking and cocaine use, which he denies. Mr Toledo has lost support, especially among younger Peruvians, to Mr Kuczynski, a former IMF official and investment banker. Aged 72, Mr Kuczynski has through clever campaigning pulled off the improbable feat of turning himself into a political novelty. He promises to introduce a professional civil service and legalise the vast mass of informal businesses. But he started late, his support is concentrated among the better-off, and his opponents have made much of the fact that he holds an American passport as well as a Peruvian one.

The tightness of the race means that a televised debate on April 3rd may be decisive. Centrist opinion may rally behind whichever man, Mr Toledo or Mr Kuczynski, seems more likely to win. Much is at stake. Mining firms alone are poised to invest $42 billion in Peru over the next three years, according to Luis Carranza, a former finance minister of Mr Garcia's. But to keep the boom going beyond that, he cautions, requires deeper reforms of education, health and government. Neither Mr Humala nor Ms Fujimori would offer them.

Mr Humala's rise has injected alarm into the complacency prevalent among Peru's businessmen, prompting a sell-off of shares and the currency this week. Mr Humala would lack a majority in Congress and would find it much harder than Mr

Chavez to establish an elected autocracy, even if he wanted to. But his manifesto reads like a recipe for five years of wasted opportunities, at best.

Even if Mr Humala gets to the run-off, he may well lose, as he did in 2006 when Peru was in worse shape than it is today. But much will depend on who his opponent is. Although rivals are sceptical of Mr Humala's new-found moderation, it may yet broaden his appeal. Both Mr Humala and Ms Fujimori embody risks that a majority of Peruvians would prefer not to entertain. But will they now find a way to express that in their vote?

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Latin American political dynasties

Kin selection

When family replaces party

KEIKO FUJIMORI'S unique selling point in Peru's presidential election (see article) is her surname. In 1990, when she was 15, her father, Alberto Fujimori, won the presidency and stayed for ten years. Despite his many faults, Mr Fujimori, who is now in jail for corruption and human-rights abuses, retains the support of some Peruvians, who credit him with defeating the Maoist terrorists of the Shining Path. The family political brand helped Ms Fujimori get more votes than any other candidate for Peru's Congress in 2006. Now she hopes it will take her to the presidency.

She is part of a growing Latin American trend for politics to become a family affair. In Argentina Cristina Fernandez succeeded her husband, Nestor Kirchner, as president in 2007. Until his sudden death last October he had been expected to try to take back the presidential sash at an election this year. If Ms Fernandez opts to run again, her son will be among her political advisers. Her opponents will probably include Ricardo Alfonsin, whose father was president in the 1980s.

Kinship may also be a feature of Guatemala's presidential vote in September. The first lady, Sandra Torres, has chosen an expedient divorce to try to sidestep a constitutional ban on the candidacy of presidential relatives. The same section of the constitution may raise problems for one of her possible opponents, Zury Rios Montt, whose father was a military dictator.

Conjugal succession is also a threat in Nicaragua. Had Daniel Ortega not got himself illegally on to this year's ballot to seek a third term, his wife might have run in his stead. There is talk in the Dominican Republic that Leonel Fernandez, who is nearing the end of his third term, may seek to be followed by his spouse.

In Costa Rica Rodrigo Arias, the brother of a two-term president, has declared his candidacy for 2014. After a fraternal fallout over unproven corruption claims in Ecuador, Fabricio Correa threatens to run in the next election against his brother Rafael, the president. Then there is Cuba, where Fidel Castro passed power to his brother Raul in 2006. Some observers believe that Raul in turn wants to use this month's congress of the ruling Communist Party to anoint his son-in-law, Colonel Luis Alberto Rodriguez, as his successor.

In Latin America's democracies presidential relatives benefit, in part, simply from name recognition at the polls. That job used to be done by political parties, but in many countries these have weakened. Less benign factors are at work as well. Presidential relatives may profit from the power of incumbency. And family businesses have long been the norm in Latin America, from mighty conglomerates to street stalls. In a few cases, it looks worryingly as if politics has become the latest such business.

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Disaster in Japan

Plutonium and Mickey Mouse

Japan's nuclear crisis drags on, exposing profound failures both at the company and in national energy policy



IT IS daylight, but the darkness inside the headquarters of the world's biggest privately owned electricity company is sepulchral. Officials, heads bowed, apologise in whispers for the trouble Tokyo Electric Power (TEPCO) has caused. Their 66-year-old boss, Masataka Shimizu, went into hospital on March 30th, suffering from hypertension; he has been absent for much of the past three weeks. In the gloom TEPCO's logo on the walls of the building resembles a mutant Mickey Mouse.

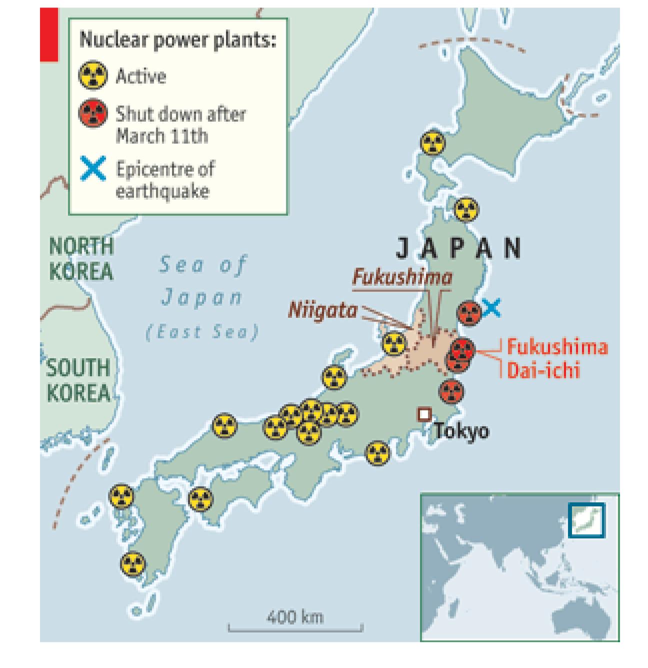
About 250km away, at the Fukushima Dai-ichi nuclear-power plant, hundreds of TEPCO employees and some subcontractors are trying to prevent further leaks of radioactive material from three damaged nuclear reactors and various sources of spent fuel. Their conditions are close to intolerable. At times, they have been exposed to more radiation in a few hours than they are supposed to endure in a year. Their rations are biscuits and canned food. They have a blanket each, and sleep on the floor. Some have lost homes and families to the tsunami that left 27,690 dead or missing. TEPCO sees them as soldiers. "We don't think they are heroes. They are doing what they should," an official says.

TEPCO is getting most of the blame for Japan's nuclear disaster. For much of the past three weeks, the authorities have held out hopes that they could regain control by reconnecting cooling systems damaged by the tsunami. These are supposed to prevent fuel from melting and rupturing the protective steel case of the reactor vessels.

This week the discovery of large pools of highly radioactive water and raised levels of radiation in seawater near the plant has shown how far the authorities really are from regaining control. Previous releases of radioactive iodine and caesium had shown that material from the core of at least one reactor has been released. The new findings suggest that the systems designed to contain such releases may have been badly compromised. The tanks into which contaminated water is being pumped will eventually fill up. And conditions for workers are getting more dangerous, which means that fixing up the cooling systems and hooking up vital measuring instruments takes longer.

The plant is so woefully damaged that TEPCO officials cannot say when the crisis will be over. Levels of radiation have mostly been subsiding, though unevenly spread. But reports on March 31st revealed that radiation in a village 40km away exceeded criteria for evacuation and the UN's nuclear watchdog suggested the government might widen the 20km evacuation zone. All this has compounded worries that the area round the plant may remain unsafe for years.

There is plenty of blame to go around. TEPCO wrongly measured radiated waters in one of the turbine halls at 10m times normal level, rather than the still-alarming 100,000 times. Subcontractors working for TEPCO reportedly complained about the safety of their workers on site. Three electricians accidentally stepped into a dangerous puddle on March 24th. In one sign of unpreparedness, the gauge that measured the radioactivity of water afterwards could not go higher than 1,000 millisieverts an hour, about the level at which radiation becomes an immediate threat to health.



Tensions between TEPCO and the government of Naoto Kan have risen since the prime minister installed crisis managers inside the utility's head office. Privately, officials have suggested TEPCO may have been slow to use seawater to cool the reactors because it wanted to save its plant-though the company denies this. Publicly, Mr Kan has lambasted the company's tsunami-preparedness. Koichiro Gemba, a cabinet minister, has left open the possibility that TEPCO would be nationalised, though this was perhaps to reassure voters in his Fukushima district that they would be adequately compensated. Other officials were non-committal about state intervention, but TEPCO shares have fallen by over 75% since March 11th.

Outside experts say that repeated flaws in the company's nuclear operations have denuded its board of specialists in atomic power. Mr Shimizu is the third successive president to have been hit by a nuclear accident. "This company is really rotten to the core," says Kenichi Ohmae, a management consultant and former nuclear engineer. He blames TEPCO for storing too much spent fuel on the site; for placing too many reactors in the same place (there are six in the Fukushima Dai-ichi plant and seven in a nuclear complex on an earthquake fault-line in Niigata); and for not having enough varied sources of power.

But the problems run deeper than TEPCO. The Ministry of Economy, Trade and Industry (METI) oversees the regulator and is responsible for safety issues. But it also promotes the nuclear industry. Reportedly, Mr Kan is considering altering this. Nuclear scientists, says Mr Ohmae, are mostly sponsored by utilities, compromising their independence. He describes them as "Christmas-tree decorations" on government safety commissions.

The problems compound one another. Taro Kono, of the opposition Liberal Democratic Party (LDP), says there is an "unholy triangle" between METI, its affiliated regulator and the nuclear industry. His office notes that Toru Ishida, a former METI energy official, moved straight into a job as senior adviser to TEPCO. Mr Kono also accuses the media of being in the nuclear industry's pocket, because of lashings of advertising.

Paul Scalise, a TEPCO expert at Temple University's Institute of Contemporary Asian Studies in Japan, responds that the demonising happens, in part, so that politicians, bureaucrats and the electorate can avoid blame themselves. He points out that Japan's embrace of nuclear technology was a national decision, taken after the 1973 oil shock (Japan imports 99% of its oil). But after accidents at Three-Mile Island and Chernobyl, local people began to take a not-in-my-back-yard attitude. Utilities and the government responded by offering tax incentives, subsidies and other blandishments. The result was some of the highest electricity tariffs in the rich world.

Yet companies like TEPCO have still struggled to build new plants in the teeth of local opposition, Mr Scalise says. That helps explain why so many of its reactors are on single sites. The company stores spent fuel rods on its premises because there is no consensus on where else to put them. Meanwhile, the shortage of capacity means that its margin of excess power has been shrinking for 20 years.

Following the earthquake and tsunami, about 28% of TEPCO's installed capacity, nuclear and non-nuclear, remains shut down. On March 30th, the government acknowledged the obvious-that it is likely to decommission the Fukushima Dai-ichi plant permanently-and possibly have to cover it to stop radiation leaking out. That would knock out about 1.8% of

Japan's energy capacity. In a model of bad planning, the country's power-distribution systems in the east and west of the country operate on different frequencies, so it is hard to share electricity between them. Unless damaged thermal-electric capacity is brought back soon and more small gas-fired plants are quickly built, months-perhaps years-of energy shortages loom, with crippling effects on the economy.

All this will be a reason to judge TEPCO severely. But the crisis is exposing the failure of the nation's energy policy as a whole. Prices are exorbitantly high. Power generation produces more greenhouse gases than the government wants. The country has not achieved its goal of nuclear self-sufficiency by reprocessing spent fuel. And now it has a nuclear disaster on its hands. That is not only TEPCO's fault. It is Japan's. If the country wants a more reliable energy strategy, it will have to start by acknowledging its collective failings.

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China

Off the rails?

High-speed trains might be forced to go a little more slowly

CHINA's high-speed rail network is probably the world's most ambitious public-works project, a 21st-century equivalent of America's Interstate highway system. Officials crow at each new speed milestone and each dramatic reduction in intercity-travel times. But after the disgrace and sacking of the railways minister and a series of other corruption investigations, the construction of the system itself may be shunted onto the slow track.



In 2008 China had only 649km of high-speed railway. It now has nearly 8,400km, four times as much as the next-largest network (Japan's). The total will approach 19,000km by 2014, according to analysts at UBS, a Swiss bank (see map). That would be ten times as extensive as Japan's. China is also adding copious amounts of traditional track and upgrading lines, mostly intended for freight. Estimates for the bill range from $530 billion to $750 billion in today's money-comparable to America's interstate system, which cost over $400 billion in 2006 dollars.

But question-marks have been raised over these plans after the sacking in February of Liu Zhijun, the minister responsible for building the high-speed network. He was accused of skimming off as much as 1 billion yuan ($152m) in bribes and of keeping as many as 18 mistresses. Zhang Shuguang, another top official in the railways ministry, was later dismissed for corruption. Separately, on March 23rd, state auditors reported that $28m had been embezzled from the 1,300km high-speed line between Beijing and Shanghai, the highest-profile of China's many rail projects.

Public support for high-speed trains is muted. The trains may reach 350km per hour but fares are proportionately eye-watering. That is all right for well-heeled travellers, happy to have an alternative to flying. But tens of millions of poor

migrants who work far afield and flock home for the Chinese new year are being priced out the rail market and have to go by bus (the number of bus journeys is soaring).

The sacking of top officials may be the result merely of one of China's periodic anti-corruption campaigns. Or it may be the upshot of a high-level factional or personal battle, in which corruption charges are often a favourite weapon. If so, the dismissals would not necessarily affect railway development.

But some experts think construction may slow down. In his first public remarks, the new railways minister, Sheng Guangzu, repeatedly stressed the importance of quality and safety, implying that corruption may have led to corner-cutting, and that the timetables on some projects may now have to change. The breakneck pace of construction has also left the ministry with large and-say some analysts-unsustainable debts, putting further pressure on projects.

No one thinks China is going to make drastic changes to what is a signature national programme. (And one from which it hopes to spin off lucrative contracts building railways in Algeria, Iran, Russia, Kazakhstan and elsewhere.) But it might postpone some of the dizzier schemes, such as one to build a freight line across mountainous northern Colombia to rival the Panama canal. And all those high-speed lines in China might now be laid at a slightly less breakneck pace.

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Myanmar

A long march

A new president takes over, but change is coming slowly to the isolated country



Perhaps they might get a real democracy

EVERY evening nowadays Burmese viewers have the novel opportunity to catch up with the day's proceedings in parliament-if they can bear the excitement. For three hours, television cameras pan lovingly over every gleaming pillar and gold pediment of the grandiose parliament building in the new capital Naypyidaw, before giving way to an exhilarating long shot of an empty four-lane highway. Sometimes the cameras venture into the chamber itself to reveal rows of identikit legislators doing nothing, the pale colours of the national dress interspersed with the khaki green of the army's representatives.

Unsurprisingly, most Burmese prefer to save their scarce electricity for South Korean soap operas. Nonetheless, the parliamentary spectacle is a daily reminder that Myanmar is embarking on a new era, even if few can agree on what it might bring.

Last October the country held its first election for 20 years. This was quickly followed by the release of the pro-democracy leader Aung San Suu Kyi from house arrest. On January 31st the newly elected parliament started work. And on March 30th, the military junta dissolved itself and handed over formal power to its selected successors. The nightly propaganda pitch is an attempt by the generals who have ruled the country more or less uninterrupted since 1962 to tell their long-suffering subjects that they are really bowing out, to make way for a constitutional democracy.

So far, few are persuaded. Most Burmese regard their new parliament with a healthy dose of scepticism, as well they might. The election was rigged, giving the army's Union Solidarity and Development Party about 60% of the contested seats, on top of the 25% of seats reserved for army officers. Parliament has voted in yet another general, Thein Sein, as the new president. And one of the two new vice-presidents comes from the army.

The few opposition politicians who won seats complain that due to absurdly strict procedural rules they have barely been allowed to submit questions, let alone call for debates. The Chin Progressive Party (CPP), one of the smaller opposition ethnic parties, says that it has put down 34 questions on issues such as land reform, but only two have been deemed suitable to be put to the government. Many sessions are so curtailed that critics have dubbed this "the 15-minute parliament".

Even so something is afoot. Those participating in the parliamentary process say that, despite the obvious limitations, the "space" (their favourite word) for opposition politics has widened; and that the government will sometimes even listen. A member of the Shan Nationalities Democratic Party, the biggest of the ethnic groupings, argues that, though the 2010 election was rigged, his people now have "time and room to prepare", and that the vote will be different next time (in 2015). He predicts that, whereas all the opposition groups together now have only 16% of the seats, in 2015 they will get 51%.

Than Shwe's exit strategy

The party with the most to gain from the new parliament is the National Democratic Force (NDF). It broke off from Ms Suu Kyi's National League for Democracy (NLD) to contest the election. The NLD boycotted the polls. Some NDF MPs have been disappointed, but their leader, Khin Maung Shwe, who was imprisoned by the regime for 16 years, says this was to be expected. Like everyone else who has chosen to engage with officially sponsored change, he urges patience. "We had so many demonstrations on the streets, but with no results," he says. "So now we have moved our fighting to the parliament."

Many others testify to the relative openness. Nay Win Maung, a publisher of two finance and politics journals, says editorials sharply critical of the government are now permitted: "A year ago I would not have dared to think about writing that sort of thing." Tellingly, he adds that whereas the generals now tolerate a bit of political criticism, they have become more hostile to any exposure of their increasingly tangled role in the country's economy. The phrase "crony capitalism" can be used, but it's best to leave it at that.

Nobody thinks the brutal generals have undergone some miraculous conversion. But the little bits of progress are all-says Mr Maung-"by-products of Than Shwe's exit strategy." General Shwe, who ruled as a dictator up to the election, has relinquished his role as president and resigned as head of the army. The new constitutional arrangements probably reflect his wish to avoid being followed by another strongman, who might do to him what he did to his predecessor Ne Win. Mr Shwe stripped Win's family of their ill-gotten gains and locked him up (he died under house arrest). These are scarcely noble reasons to reform a country, but many Burmese argue that they will take whatever opportunities they get.

The NLD, however, remains deeply suspicious of the government. This has led to a split among the opposition. The differences are sharpest over Western sanctions. On the one hand, many of those working in Myanmar to bring about change within the new political framework claim that sanctions have now become counter-productive. They merely, this group says, make the desperately poor Burmese suffer more by reducing investment and aid while the generals carry on enriching themselves. On the other hand, the NLD has said that sanctions should remain, though it has lifted its opposition to tourism in Myanmar. It also says it is willing to discuss other modifications with the West.

But pressure is building on the NLD. Two weeks ago the influential International Crisis Group issued a damning report against sanctions. European ambassadors have been listening to all opposition views in Yangon as they conduct their

annual review of the issue. Much will depend, as ever, on Ms Suu Kyi. The ambassadors will not defy her wishes if she demands that sanctions remain. But she has become almost Delphic on the subject. Mr Maung Shwe, for one, thinks that she is revisiting the idea of scrapping sanctions. If true, that would be a bigger change in Myanmar than all those hours of bogus parliamentary debate.

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Australia

Strewth

Labor is humbled in its heartland

AFTER 16 years in power, and reeling from political scandals, the Labor government of New South Wales was expected to lose the state election on March 26th. But the scale of its defeat stunned even party diehards. With a swing against it of over 16%, the biggest for any Australian government in 60 years, the party has been left with barely a quarter of the seats in the state's lower house. This cataclysm in what was once Labor's heartland will be felt in the federal capital, Canberra, unsettling Julia Gillard, the prime minister, as her minority Labor government tries to push through reforms.

Formed on a working-class base, Labor claims to be the first party of its kind in the Western world to have won power: in Queensland in 1899 (briefly), then as a national government five years later. But its blue-collar hue has faded. Only 20% of Australian workers now belong to unions, less than half the proportion 23 years ago.

Labor has struggled to marry what remains of its old base with a new generation of affluent, centre-left voters. In New South Wales a party machine run by deal-makers and union power-brokers has made this impossible. Paul Keating, a former Labor prime minister, says they have killed the party's moral authority with "obscurantist Neanderthal views" and "sicko populism". In Sydney, Australia's commercial hub, frustration over the dearth of investment in the congested transport system helped deliver swathes of suburban seats in former Labor strongholds to the conservative Liberal-National coalition.

Barry O'Farrell, the state's Liberal leader and now its premier, will complicate life for Ms Gillard. She needs the backing of state governments for contentious planned reforms: a national school curriculum, changes to the financing of the health system and a tax on mining profits. When Labor won federal power in 2007, the party ruled in all six states. Now, besides New South Wales, Western Australia and Victoria have also fallen to the conservatives. Mr O'Farrell says he will join the federal Liberals and oppose Ms Gillard's plan to introduce a carbon tax next year. Only in one sense can Ms Gillard find relief. The latest defeat removes her from the shadow of Australia's most reviled Labor administration well before the next federal election, due in 2013. But that is cold comfort.

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Pakistan

A great deal of ruin in a nation

Why Islam took a violent and intolerant turn in Pakistan, and where it might lead



"TYPICAL Blackwater operative," says a senior military officer, gesturing towards a muscular Westerner with a shaven head and tattoos, striding through the lobby of Islamabad's Marriott Hotel. Pakistanis believe their country is thick with Americans working for private security companies contracted to the Central Intelligence Agency; and indeed, the physique of some of the guests at the Marriott hardly suggests desk-bound jobs.

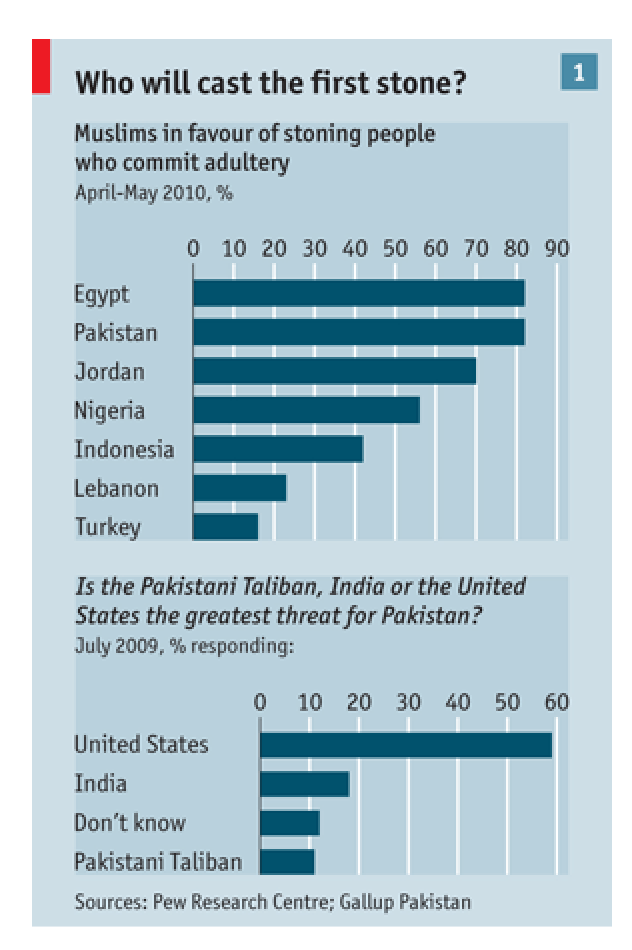
Pakistan is not a country for those of a nervous disposition. Even the Marriott lacks the comforting familiarity of the standard international hotel, for the place was blown up in 2008 by a lorry loaded with explosives. The main entrance is no longer accessible from the road; guards check under the bonnets of approaching cars, and guests are dropped off at a screening centre a long walk away.



Some 30,000 people have been killed in the past four years in terrorism, sectarianism and army attacks on the terrorists. The number of attacks in Pakistan's heartland is on the rise, and Pakistani terrorists have gone global in their ambitions. This year there have been unprecedented displays of fundamentalist religious and anti-Western feeling. All this might be expected in Somalia or Yemen, but not in a country of great sophistication which boasts an elite educated at Oxbridge and the Ivy League, which produces brilliant novelists, artists and scientists, and is armed with nuclear weapons.

Demonstrations in support of the murderer of Salman Taseer, the governor of Punjab, in January, startled and horrified Pakistan's liberals. Mr Taseer was killed by his guard, Malik Mumtaz Qadri, who objected to his boss's campaign to reform the country's strict blasphemy law. Some suggest that the demonstrations were whipped up by the opposition to frighten the Pakistan People's Party (PPP) government, since Mr Taseer was a member of the party. Others say the army encouraged them, because it likes to remind the Americans of the seriousness of the fundamentalist threat. But

conversations with Lahoris playing Sunday cricket in the park beside the Badshahi mosque suggest that the demonstrations expressed the feelings of many. "We are all angry about these things," says Gul Sher, a goldsmith, of Mr Taseer's campaign to reform the law on blasphemy. "God gave Qadri the courage to do something about it."



Pakistani liberals have always taken comfort from the fundamentalists' poor showing in elections and the tolerant, Sufi version of Islam traditionally prevalent in rural Pakistan. But polling by the Pew Research Centre suggests that Pakistanis take a hard line on religious matters these days (see chart 1). It may be that they always did, and that the elite failed to notice. It may be that urbanisation and the growing influence of hard-line Wahhabi-style Islam have widened the gap between the liberal elite and the rest. "The Pakistani elites have lived in a kind of cocoon," says Salman Raja, a Lahore lawyer. "They go to Aitchison College [in Lahore]. They go abroad to university...A lot of us are asking ourselves whether this country has changed while our backs were turned."

The response to another death suggests that the hostility towards Mr Taseer may not have been only about religion. Two months later Shahbaz Bhatti, the minister for minorities, was murdered for the same reason. Yet his killing did not trigger jubilation. Mr Taseer's offence may have been compounded by the widespread perception that he, like most of the elite, was Westernised. His mother was British, he held parties at his house, and he posted photos on the internet of his children doing normal Western teenage things-swimming and laughing with the opposite sex-that caused a scandal in Pakistan.

The West in general, and America in particular, are unpopular. It was not always thus. Before the Soviet Union left Afghanistan, around a third of Pakistanis regarded Americans as untrustworthy. Since then, a fairly stable two-thirds have done so. The latest poll on the matter (see chart 1) suggests that Pakistanis see America as more of a threat to their country than India or the Pakistani Taliban. It was carried out in 2009, but anecdotal evidence confirms that the views have not changed. "America is behind all of our troubles," says Mohammed Shafiq, a street-hawker. That may be because America is thought to have embroiled Pakistan in a war which has caused the surge in terrorism; or because many Pakistanis, including senior army officers, genuinely believe that the bombings are being carried out by America in order to destabilise Pakistan, after which it will grab its nuclear weapons.

Four horsemen

From the complex web of factors that have fostered intolerance and violence in Pakistan, it is possible to disentangle four main strands. The first is Pakistan's strategic position. Big powers have long competed for control of the area between Russia and the Arabian Gulf, and the unresolved tensions with India have dogged the country since its birth in 1947. Nor has Pakistan tried to keep out of its neighbours' affairs. It was America's enthusiastic ally in the war to eject the Soviet Union from Afghanistan in the 1980s, which it sold to its people as a *jihad*. "We used religion as an instrument of change

and we are still paying the price," says General Mahmud Ali Durrani, former national security adviser and ambassador to Washington. Pakistan helped create the Taliban in the 1990s to try to exert some control over Afghanistan. And with much trepidation on the part of its leaders, and reluctance on the part of its people, it has supported America in its war against the Taliban over the past decade.

By trying to destabilise India, Pakistan has undermined its own stability. "When the Soviets went away," says a senior military officer, "we had a very large number of battle-hardened people with nothing to do. They were redirected towards India. The ISI [Inter-Services Intelligence, the main military-intelligence agency] was controlling them...20:20 hindsight is very good, but this decision was perhaps wrong." According to the officer, after al-Qaeda's attacks against America on September 11th 2001 the army decided to wind down the policy. "We started taking them out. But many of them said, 'Nothing doing.' They had contact with people in the Afghan *jihad*, and they joined those people again." Because the Pakistanis were helping the Americans in their fight against the Afghan Taliban, the Pakistani *jihadis* turned their fury on the government.

The second strand is the unresolved question of Islam's role in the nation. Muhammad Ali Jinnah, Pakistan's founder, made it clear that he thought Pakistan should be a country for Muslims, not an Islamic country. But since then, according to General Durrani, "Every government that has failed to deliver has used Islam as a crutch." Zulfikar Ali Bhutto, for example, though fond of a drink himself, banned alcohol. Zia ul Haq, his successor, tried to legitimise his military coup by pledging to Islamise the country.

The relationship between religion and the state is not an abstruse question of political philosophy. A treatise on the Pakistani constitution published in 2009 by Ayman al-Zawahiri, al-Qaeda's number two (who is believed to be in North Waziristan), argues that the Pakistani state is illegitimate and must be destroyed. This tract is widely read in the *madrassas* from which the terrorist groups draw their recruits. Its popularity exercises Qazi Hussein Ahmed, the grand old man of the Jamaat-e-Islami, the most fundamentalist of the political parties, for the Jamaat works within the state, not against it. He argues that Pakistan's failure to adopt an Islamist constitution "has given the Taliban and such extremist elements a pretext: they say the government will not bow to demands made by democratic means, so they are resorting to violent means."

The third strand is the uselessness of the government. Democracy in Pakistan has been subverted by patronage. Parliament is dominated by the big landowning families, who think their job is to provide for the tribes and clans who vote for them. Except for the Jamaat-e-Islami, parties have nothing to do with ideology. The two main ones are family assets-the Bhuttos own the PPP, and the Sharifs (Nawaz Sharif, the former and probably future prime minister, and his brother Shahbaz, chief minister of Punjab) own the Pakistan Muslim League (N). The consequence is dire political leadership of the sort shown by Asif Ali Zardari, who is president only because he married into the Bhutto dynasty. When Pakistan desperately needed a courageous political gesture in response to the murders of the governor and minister, the president failed even to attend their funerals.



Pakistan's rotten governance shows up in its growth rates (see chart 2). In a decade during which most of Asia has leapt ahead, Pakistan has lagged behind. Female literacy, crucial as both an indicator of development and a determinant of future prosperity, is stuck at 40%. In India, which was at a similar level 20 years ago, the figure is now over half. In East Asia it is more like nine out of ten.

Given the government's failings, it is hardly surprising if Pakistanis take a dim view of democracy. In a recent Pew poll of seven Muslim countries they were the least enthusiastic, with 42% regarding it as the best form of government-though, since the country has spent longer under military than under democratic rule, the army is at least as culpable.

The armed forces' dominance is the fourth strand. Tensions with India mean that the army has always absorbed a disproportionate share of the government's budget. Being so well-resourced, the army is one of the few institutions in the country that works well. So when civilian politicians get them into a hole, Pakistanis look to the military men to dig them out again. They usually oblige.

Terrorism is strengthening the army further. In 2009 it drove terrorists out of Swat and South Waziristan, and it is now running those areas. Last year its budget allocation leapt by 17%. Nor are the demands on the armed forces likely to shrink. Although overall numbers of attacks are down from a peak in 2009, they have spread from the tribal areas and Khyber-Pakhtunkhwa (KPK), along the border with Afghanistan, to the heartland. Last year saw an uptick in attacks on government, military and economic targets in Punjab and Karachi, the capital of Sindh province. Since then, security has been stepped up; and with the usual targets-international hotels, government buildings and military installations-surrounded by armed men and concrete barriers, terrorists are increasingly attacking soft targets where civilians congregate, such as mosques and markets.

Exporting terror

Pakistani terrorism has also gone global. The Tehrik-e-Taliban Pakistan (TTP, or Pakistani Taliban), announced when it was formed in 2007 that it aimed to attack the Pakistani state, impose sharia law on the country and resist NATO forces in Afghanistan. But last year Qari Mehsud, now dead but thought to be a cousin of the leader, Hakimullah Mehsud, who was in charge of the group's suicide squad, announced that American cities would be targeted in revenge for drone attacks in tribal areas. That policy was apparently taken up by Faisal Shahzad, a Pakistan-born naturalised American who tried to blow up New York's Times Square last year.



Pakistan's new face?

That prompted an increase in American pressure on the army to attack terrorists in North Waziristan. The army is resisting. The Americans suspect that it wants to protect Afghan Taliban there. The Pakistani army says it is just overstretched.

"We are still in South Waziristan," insists a senior security officer. "We are holding the area. We are starting a resettlement process, building roads and dams. We need to keep the settled areas free of terrorists. It is not a matter of intent that we are not going into North Waziristan. It is a matter of capacity."

The growth in terrorism in Punjab poses another problem for the army. "What we see in the border areas is an insurgency," says the officer. "The military is there to do counter-insurgency. What you see in the cities is terrorism. This is the job of the law-enforcement agencies." But the police and the courts are not doing their job. One suspected terrorist, for instance, a founder member of the Lashkar-e-Jhangvi, was charged with 70 murders, almost all of them Shias. He was found not guilty of any of them for lack of evidence. In 2009 the ISI kidnapped 11 suspected terrorists from a jail in Punjab, because it feared that the courts were about to set them free.

So where does this lead? Not to a terrorist march on the capital. Excitable Western headlines a couple of years ago saying that the Taliban were "60 miles from Islamabad" were misleading: first because the terrorists are not an army on the march, and second because they are not going to take control of densely populated, industrialised, urban Punjab the way they took control of parts of the wild, mountainous frontier areas and KPK.

Yet even though they will not overthrow the Pakistani state, the combination of a small number of terrorists and a great deal of intolerance is changing it. Liberals, Christians, Ahmadis and Shias are nervous. People are beginning to watch their words in public. The rich among those target groups are talking about going abroad. The country is already very different from the one Jinnah aspired to build.

Taxonomy of terror

Terrorist groups in Pakistan

Name	Ethnicity	Location	Targets	Signature attacks
Al-Qaeda	Arab	North Waziristan	Global	9/11; possibly Marriott Hotel, 2008
Tehrik-i-Taliban Pakistan	Pushtun	FATA*, especially North Waziristan	Pakistani state, America, global	Countless in Pakistan; attempt on Times Square, 2010
Lashkar-e-Taiba	Punjabi	Punjab and Kashmir	India	Mumbai, 174 dead, 2008
Lashkar-e-Jhangvi	Punjabi	Punjab and FATA	Pakistani state, Shias, America	Murders of Daniel Pearl, 2002; Benazir Bhutto, 2007
Sipah-e-Sahaba (now Ahle Sunnat Wal Jamaat)	Punjabi, Pushtun, Mohajir	Karachi, Punjab and FATA	Shias, Sufis and Christians	Gojra anti-Christian riots, 8 dead, 2009
Jaish-e-Mohammed	Punjabi	Punjab and FATA	Pakistani state, India, America	Assassination attempt on Musharraf, 14 dead, 2003

Source: *The Economist*

*Federally Administered Tribal Areas, bordering Afghanistan

The future would look brighter if there were much resistance to the extremists from political leaders. But, because of either fear or opportunism, there isn't. The failure of virtually the entire political establishment to stand up for Mr Taseer suggests fear; the electioneering tour that the law minister of Punjab took with a leader of Sipah-e-Sahaba last year suggests opportunism. "The Punjab government is hobnobbing with the terrorists," says the security officer. "This is part of the problem." A state increasingly under the influence of extremists is not a pleasant idea.

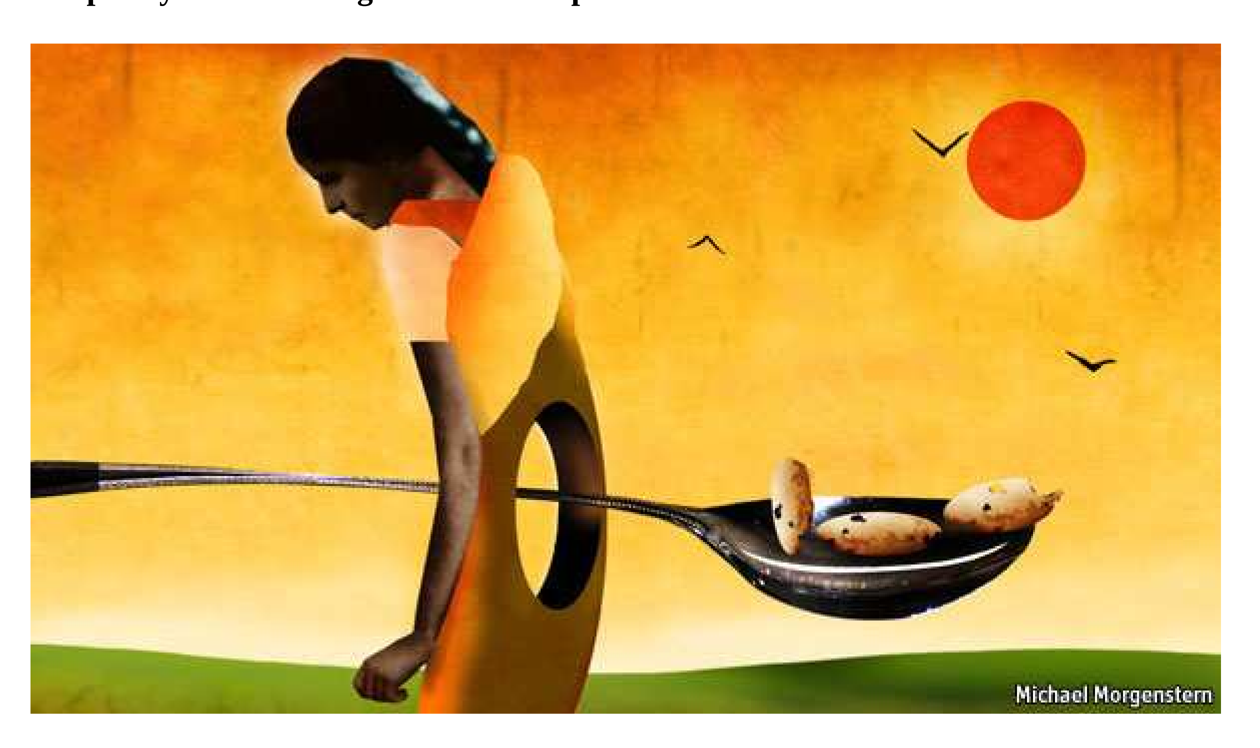
It may come out all right. After all, Pakistan has been in decline for many years, and has not tumbled into the abyss. But countries tend to crumble slowly. As Adam Smith said, "There is a great deal of ruin in a nation." The process could be reversed; but for that to happen, somebody in power would have to try.

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Banyan

The Indian exception

Many Indians eat poorly. Would a "right to food" help?



"LOOK at this muck," says 35-year-old Pamlesh Yadav, holding up a tin-plate of bilious-yellow grains, a mixture of wheat, rice and mung beans. "It literally sticks in the throat. The children won't eat it, so we take it home and feed it to the cows."

Mrs Yadav has brought her children to a state-run nursery in Bhindusi village in rural Rajasthan. The free midday meal is being dished out. Neither she nor anyone else in Bhindusi looks plump enough to turn down such an offer. Stray dogs scamper through the nursery and toddlers are being weighed in the corner while food is passed around. Most are underweight. Mrs Yadav herself is anaemic, like almost all local women; she survives on potato curry and wheat chapatis. Even so, she rejects a free lunch. "The only reason the women come here is because of the creche," admits Shafia Khan, who is in charge of state nurseries in the district. "The children don't like the food. And the ones you see here are the lucky ones. Out in the fields, it is terrible. Everyone is listless; they all suffer from vitamin and iron deficiencies."

The nursery is part of India's Integrated Child Development Services Scheme (ICDS), the largest child-nutrition programme in the world. Its woes in Rajasthan are part of a larger problem. India is an outlier. Its rate of malnutrition-nearly half the children under three weigh less than they should-is much higher than it should be given India's level of income. And the burden has shifted more slowly than it ought to have done given Indian growth. Lawrence Haddad, the director of the Institute of Development Studies at Sussex University, reckons that every 3-4% increase in a developing country's income per head should translate into a 1% fall in rates of underweight children. In India the rate has barely shifted in two decades of growth. Per person, India eats less, and worse, than it used to. Mr Haddad calls the country the world's Jekyll and Hyde: economic powerhouse, nutritional weakling. Over a third of the world's malnourished children live there.

When India was poor, its failure to feed itself properly did not seem odd. Poverty was explanation enough. But after one of the most impressive growth spurts in history, the country's inability to lift the curse of malnutrition has emerged as its greatest failure-and biggest puzzle. Nothing fully accounts for it. True, farming has not shared in the same dazzling success as the rest of the economy, lately rising by only a point or two per person per year. But some African countries have seen farm output per head actually fall-and they have still cut malnutrition more than India.

It is also true that India's food bureaucracy is a byword for inefficiency and corruption. People steal from the cheap-food shops of the Public Distribution System (PDS) on an industrial scale. Newspapers call a case of theft now under investigation in Uttar Pradesh "the mother of all scams". At one point, the country's top investigative agency said it had given up even trying to cope with the 50,000 separate charges. But again, other countries have corrupt bureaucracies, too-or none, which may be as bad.

So the most convincing explanations for India's nutritional failures probably lie elsewhere. Women are the most important influences upon their children's health-and the status of women in India is notoriously low. Brides are deemed to join their husband's family on marriage and are often treated as unpaid skivvies. "The mothers aren't allowed to look after

themselves," says Mrs Khan. "Their job is simply to have healthy babies." But if mothers are unhealthy, their children frequently are, too.

India is also riven by caste and tribal divisions. It is no coincidence that states with the most *dalits* (former untouchables) or tribes (such as Bihar and Orissa) have higher malnutrition rates than those, like Andhra Pradesh and Kerala, with fewer of these excluded groups. So-called scheduled castes and tribes are more likely than other Indians to suffer the ills of poor diet.

But that cannot be the whole story. Astonishingly, a third of the wealthiest 20% of Indian children are malnourished, too, and they are neither poor nor excluded. Bad practice plays some part-notably a reluctance to breastfeed babies. There may also be an element of choice. Long ago, a study in Maharashtra showed that people spend only two-thirds of their extra income on food-and this is true whether they are middle-income or dirt-poor. That may seem perverse. But a mobile phone may be more useful to the poor than better food, since the phone may generate income during the next harvest failure, and good food will not.

Wanted: Bolsa India

These explanations matter because they raise questions about the Indian government's current attempt to offer a universal "right to food". Over the past 20 years, the supreme court has said that Indians have various social rights (to work, education and so on) and can sue the government if they are not honoured. The free school-meal programme was an attempt to implement a right to food. Now the government wants to go further. It is talking about giving cheap food to about 90% of country-dwellers and 50% of city folk-three-quarters of all Indians.

Leave aside the budgetary implications, which are awe-inspiring. Such a programme would hugely expand the terminally dysfunctional PDS. It would do little or nothing for neglected castes and tribes. It would not raise the status of women, or encourage breastfeeding and early nutrition. (As Mrs Khan says, "the crucial time is between the ages of nought and three, but we're not really reaching them.") Giving cash, rather than food itself, would be better. Better still, India should look to international experience and introduce a conditional cash-transfer scheme, such as Brazil's Bolsa Familia, which pays the mother if her children attend school. India hankers after "universal" benefits that would leave millions malnourished. It should instead learn from schemes that target those who need help-and which actually work.

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The battle for Libya

The colonel is not beaten yet

Fortunes on the battlefield have been see-sawing, as the coalition against Muammar Qaddafi talks of arming the Libyan rebels



AFTER rebel forces retook Ajdabiya and the oil-refining towns of Ras Lanuf and Brega, it seemed that Muammar Qaddafi's troops might crumble fast in the face of Western air attacks. But that hope was fleeting. At a hastily assembled conference in London on March 29th, attended by nearly 40 delegations representing the international coalition that is enforcing UN Security Resolution 1973, the turn of events on the ground saw Libyan government forces dramatically regain the initiative. And that prompted a more sober assessment of the rebels' progress.

A day earlier General Carter Ham, the American officer who was running operations in Libya until NATO assumed command, had presciently warned: "The regime still vastly overmatches opposition forces militarily. The regime possesses the capability to roll them back very quickly. Coalition air power is the major reason that has not happened." The general added that apart from some "localised wavering" there had so far been only a few cases of military or government officials defecting to the opposition.

For a time, it looked as if a pattern had been established. Allied air power would take out the government's tanks, artillery and other heavy weapons, shell-shocked loyalist soldiers would flee and the ragtag army of rebels toting AK-47s and captured RPGs would surge forward into the vacuum, driving hell-for-leather to the next town along the coast road in a motley cavalcade of elderly cars and pickup trucks.



In fact, the only emerging pattern is one of wildly see-sawing fortunes, as coastal towns change hands with almost metronomic regularity. On March 28th the advancing rebels ground to a halt at Bin Jawad, a small town some 160km (100 miles) to the east of Colonel Qaddafi's birthplace, Sirte, and halfway between Benghazi and Tripoli. Control of Bin Jawad had already switched three times in the past month and the town is now largely deserted.

There is still no sign that the rebels have a proper chain of command. Khalifa Belqasim Haftar, a former general who has returned from exile in the United States, is their commander-in-chief, with Colonel Qaddafi's former interior minister, Abdel Fatah Younis, as his chief of staff. But the units of the regular army that defected seem to have stayed largely out of the fray, leaving the fighting to untrained youths. Time after time, they have rushed frantically along the main roads, only to run into ambushes laid by the colonel's snipers dug into the roadside. Inexperienced rebels have shot up their own cars

with anti-aircraft fire. Full of bravado, young farmers in straw hats vow to defy Colonel Qaddafi's Grad rockets, but as soon as any start landing nearby they flee.

Rebel supply-lines of food and fuel are badly stretched. The colonel's forces sabotaged petrol stations and power lines when they retreated west. Many shopkeepers have fled. Taxi drivers smuggle ammunition and AK-47s from Egypt beneath punnets of strawberries. But the rebels know they are heavily outgunned.

Their attempt on March 29th to push on past Bin Jawad towards Sirte ended abruptly when their vehicles came under heavy rocket and artillery fire from loyalist forces moving up the road from the politically important city. Fleeing eastward, abandoning Bin Jawad, Ras Lanuf and Brega in quick succession, the rebels were said to be mystified as to why their advance had not been supported by coalition air strikes and why the planes had still not shown up to attack Colonel Qaddafi's advancing tanks at their most vulnerable.

One theory was that the decision, reached on March 27th after a week of wrangling, to hand full control of the military operation to NATO had led to a less aggressive targeting by the coalition. Cloudy weather may also have cut the tempo of attacks on ground targets.

But coalition commanders insist that their targeting policy and the rules of engagement are unchanged and that the sortie rate has been maintained. It is most likely that as NATO took over it was caught on the hop by the speed of the loyalist advance and by a change of tactics, in which the loyalists left behind their tanks and mounted rocket-launchers on pickup trucks. That made them hard to distinguish from rebels. On March 30th the coalition resumed hitting government forces on the ground. David Cameron, the British prime minister, telephoned Admiral James Stavridis, NATO's supreme commander, to express his hope that the deteriorating situation could be swiftly reversed.

But the uncomfortable truth is that, despite big losses of tanks and artillery and the battering of his command-and-control centres, the 10,000 or so men in the tribally based militias loyal to Colonel Qaddafi are proving tenacious. The rebels, for their part, are still far from turning themselves into a force sufficiently disciplined or well-armed to engage loyalist soldiers with much prospect of success.

Sirte also looks as if it is becoming a military and political problem for the coalition. As long as the town remains loyal to Colonel Qaddafi, it both blocks the road to Misrata, the rebels' western redoubt some 220km to the west, and provides a springboard for rolling back the rebels in the east. The plight of Misrata, Libya's third-biggest city, grows more desperate by the day. Government tanks close to the centre are continuing to shell buildings and residents indiscriminately, and food and water are said to be running low. On March 30th coalition aircraft sank five government ships blocking the supply of humanitarian aid to the city.

Digging in at home

Sirte is of unique importance to the regime, both as a garrison and for what it represents. Once a poor village, it is now a city of 130,000 people, showered with money and privileges during most of Colonel Qaddafi's 42-year rule. In 1988 he moved many government departments and the country's rubber-stamp parliament there from Tripoli, the capital. In 1999 he proposed it as the administrative centre of a "United States of Africa". Western reporters in Sirte say its people's declarations of devotion to the colonel and their willingness to fight for what they have are sincere.

That makes things tricky for the coalition. It cannot claim to be protecting local civilians when attacking government forces defending Sirte. But its commanders argue that the colonel's troops remain a legitimate target in Sirte since they still threaten civilians elsewhere.

Such operational dilemmas were blurred at the London conference. And there was little sign of any desire by the participants to lessen the pressure on the regime. Indeed, for all the previous insistence that regime change is not on the agenda, the leaders attending the conference could not have been clearer that the military campaign will continue until Colonel Qaddafi has gone.

In the conference corridors there was some talk of whether or how to offer the colonel an exit if it would end the violence rather than demand that he be dragged before the International Criminal Court. But the main concern of the coalition was to hasten a resolution to the conflict and avoid a stalemate.

To that end, Hillary Clinton, the American secretary of state, raised the possibility that the coalition could provide arms for the opposition without needing the cover of a new UN resolution. In her view, Security Council resolution 1973

trumps the previous resolution 1970 with enough latitude to allow the supply of defensive weapons, such as anti-tank missiles, if they would save civilian lives.

The idea was given tentative support by Britain's foreign secretary, William Hague who, with Mrs Clinton, had earlier met the Libyan opposition leader, Mahmoud Jibril. In a series of interviews on American television aimed at winning support for his Libyan policy from a sceptical public, Barack Obama added that he was neither ruling out arming the rebels nor ruling it in (see Lexington). But a leak on March 30th suggested that the president had signed a secret "finding" that would authorise covert support for the rebels.

Apart from possible legal obstacles, arming the rebels is fraught with difficulty. The coalition leadership would almost certainly want Egypt to be the conduit for any weapons supplies, but that would trouble its transitional government in Cairo. And unless more officers and troops defect from the Libyan army, there is no guarantee that the rebel side would be capable of using sophisticated weapons-nor that they could easily be prevented from falling into the wrong hands.

Moreover, the coalition has nagging doubts about who exactly it might be arming. Despite a magnificently politically correct declaration of principle published by the self-styled Interim National Council to coincide with the London conference, worries persist that the most ardent rebel fighters have strongly Islamist credentials.

An even more delicate question, raised by the rebels' poor military performance, is whether there would be any circumstance in which coalition (though not American) ground forces might go in. That is not something that anyone wants to talk about, but it will not go away.

The priorities just now are to halt the advance of loyalist troops, bring some relief to the civilians in Misrata and encourage members of the regime to start looking for a way out. On March 30th Colonel Qaddafi's foreign minister, Moussa Koussa, a former longtime head of intelligence, ran away to London. The addition to the coalition's armoury this week of American A-10 Thunderbolts and AC-130 gunships, lumbering aircraft equipped with fearsome cannon that can hit targets in built-up areas with less risk than fast jets of killing civilians, could tilt the balance in Misrata and elsewhere. But any Western belief that Colonel Qaddafi would be quickly clobbered on the battlefield has, for the moment, been shaken.

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A government-in-waiting

Give us time, cash and arms

A new order is gradually emerging amid fears of lawlessness



Benghazi special forces

SIX weeks after the opposition rose up against the Qaddafi regime, a de facto rebel government is taking shape. The so-called Interim National Council has gently sidelined its bumbling head, Mustafa Abdel Jalil, while letting him keep his title of president. Instead, an "executive committee", whose members are American-trained and experienced in running Libya, has taken up the reins. The de facto prime minister, Mahmoud Jibril, is an American-trained politics professor who, until he resigned last year, ran Libya's National Planning Council, which managed the economy with the colonel's son, Seif al-Islam Qaddafi. Ali Tarhouni, the acting finance minister, responsible for oil and trade among other things, taught economics at the University of Washington in Seattle.

A fledgling diplomatic corps is also setting itself up in Benghazi, the rebels' capital in the east. The French were first to arrive, with the British close behind and the Americans next. A Qatari representative is said to have set up camp at Marsa Matruh, the Egyptian town closest to the Libyan border. The Turks, who kept a presence all along, have become more openly active now that the rebels have promised to honour building contracts said to be worth $25 billion. A Turkish hospital ship is waiting outside Misrata's rebel-held port for coalition bombing to give it a safe passage.

Financially, too, the rebels are feeling happier. As the fighting drew close to Benghazi a week ago, there was a rush on bank deposits; oil-tankers sailed farther offshore. But Qatar's agreement to sell oil on the rebels' behalf has let the fledgling Libyan government raise loans and revenues. Mr Tarhouni felt confident enough to pay civil servants their salaries for March and to make good on February's shortfall.

For the time being, most Libyans in the rebel zone seem willing to give the skeleton administration a chance. But much depends on security. The no-fly zone imposed by the UN has removed the fear of the colonel's attacks from the air. But the checkpoints that proliferate on the main roads are less reassuring. In Benghazi jewellery and many other shops have yet to reopen. Schools are still closed. Rebels still fear sabotage by sleeper cells loyal to the colonel. When loyalist forces bombed the outskirts of Benghazi a week or so ago, scores of pro-Qaddafi gunmen suddenly surfaced. The rebels say they have caught and incarcerated some 200 of them, but night-time bangs and abductions suggest the lurking presence of a fifth column still loyal to the old regime.

Many people are waiting to see how things will go. Oil workers have yet to return to their posts. The main tribes are still hedging their bets, discouraging the rebels from marching west. Mr Jibril belongs to the Warfalla, Libya's largest tribe, which controls much of the land east of Tripoli. His 1m-odd kinsmen still seem loth to help open the road to the rebels.

Although countries farther afield have offered to help the rebels, Libya's seven immediate neighbours have remained wary. The Arab League's secretary-general, Amr Moussa, has edged back from his initial endorsement of the no-fly zone. Among Arab governments, only Jordan has definitely frozen Colonel Qaddafi's investments.

Though most of the oil lies within the rebels' zone, not much of the stuff is being pumped. The big refinery at Brega, in the contested coastal area between the two sides, is out of order. One of Libya's two mobile-phone networks is defunct and the other works only patchily. The internet is down, despite an Egyptian operator's offer to route connections via Egypt.

Though most Libyans say they endorse the Western bombing campaign, some say the coalition's real goals are to dominate Libya and grab its oil. "The big problem is foreign bombing, not Qaddafi," says Nasr Abu Bakr, a technician at a power plant in Tobruk. He recently joined a group of Salafists, who advocate strict imitation of the Prophet Muhammad's way of life. "Qaddafi is an internal issue, to be kept in the family," he says, echoing the colonel's claim that the rebels are serving a crusader agenda to undermine the region.

Other Libyans fear that the lawlessness which inevitably accompanies civil war may spark terrorism and anarchy, as in Somalia. Everyone seems to have a gun. Law and order may be eroding. In their zeal to show that an era has ended, some Libyans have removed licence plates from their cars. "We don't want our state to collapse," says the doleful Mr Abu Bakr.

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Crisis in Syria

Holding the fort

President Bashar Assad is under intensifying fire but refuses to retreat



THE protests that started in the southern city of Deraa on March 18th have spread-and the regime of President Bashar Assad has so far been determined to crush them. Since March 25th, when many thousands of Syrians again took to the streets for the second Friday in a row, more than 40 people have been killed, raising the death toll in two weeks to more than 100-and many more than that have been arrested and tortured.

After the most recent bloody round of protests in Deraa, the nearby town of Sanamein erupted too: at least 15 people were shot dead. Protests have also occurred in Homs and at least a dozen other places. Most worrying for Mr Assad, they also broke out on a large scale in the port city of Latakia, leaving another score of people dead. It has long been a stamping-ground for his ruling family and a hub of his own minority Alawite sect, so the unrest has come dangerously close to home.

The regime has set about muzzling the media and issuing its own counter-propaganda. Visas for foreign journalists are hard to come by; entering Deraa, except in rare cases with an official minder, has been impossible. A well-orchestrated demonstration in favour of Mr Assad on March 29th drew tens of thousands of people onto the streets of Damascus, many of them genuinely keen to support him.

Yet the germ of protest has continued to spread. Trouble seems to be popping up in new places. Kurds in the north-east are getting restless. Local grievances have been amplified into national ones. Chants and banners in the crowds are calling for the fall of the regime. Posters and statues of Mr Assad and his father, Hafez Assad, who ruled Syria from 1971 until his son took over after his death in 2000, have been defaced.

The government's response has been to blame foreign conspiracies. After a few days of dithering, the word went out that Mr Assad would call for reforms to be speeded up and for the state of emergency that has prevailed for 48 years to be

lifted. On March 29th his entire government resigned, but as it wielded little power in the first place, the event did not necessarily presage change. On several occasions a presidential address to the nation was mooted and then postponed, suggesting divisions within Mr Assad's ruling circle.

Eventually, on March 30th, the president spoke to his rubber-stamp parliament. But he proposed no new reforms. He repeated a pledge to lift the emergency law but set no timetable for doing so-and could anyway replace it with equally draconian anti-terrorism laws. So far he has refused to oust any key figure from his inner circle, such as his cousin, Rami Makhlouf, a tycoon who has been a butt of the protesters' ire. For the time being, Mr Assad seems to have decided that giving too much ground might merely bolster the protesters and fuel their demands.

Rumours of discontent within the regime are swirling. Many Syrians blame the president's brother, Maher Assad, who heads a crack army division, for the regime's excesses. Outrage at the killings and propaganda has been compounded by Mr Assad's defiant speech, which sorely disappointed his own reformers.

Mr Assad is not yet on the skids. Some Syrians still see him as the man to hold the ring between Syria's many groups and sects. The protests have yet to swell to the size that overthrew his peers in Egypt or Tunisia. But if they take hold in a third big city, after Latakia and Deraa, his army and security service may be stretched-and his throne may start to wobble.

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Iraq, Bahrain and the region

Sectarian bad blood

Regional tension shakes Iraq too



Baghdadis want to have their say too

STILL recovering from its own bloody sectarian strife, Iraq has been rattled by events in Bahrain, where a mainly Shia protest movement has been quelled by the island kingdom's ruling Sunni minority, backed by forces from Saudi Arabia and several other Gulf states. After the Saudi troops moved into Manama, Bahrain's capital, in mid-March, Iraqi members of parliament fired off a string of angry speeches.

Politicians from Iraq's Shia majority, including a former prime minister, Ibrahim al-Jaafari, castigated the Saudi intervention. Some Sunni, Kurdish and Christian members of Iraq's parliament also condemned the Saudis, but the speaker, Osama el-Nujaifi, who hails from a leading Sunni family in Mosul, Iraq's strongly Sunni city in the north,

decided to close parliament down for ten days. Some Iraqi politicians, including Iyad Allawi, a Shia who leads the main Sunni block in parliament, said that a hiatus was required to stop sectarian tension boiling over in parliament.

But it is still bubbling. Politicians and religious leaders have continued to respond to events in Bahrain along sectarian lines. Muqtada al-Sadr, a populist Iraqi Shia cleric with a big following who leads his movement from a temporary home in Iran, has castigated the intervention too. Members of his political party have called for Bahrain's embassy in Baghdad to be closed, whereas Haider al-Mulla, a Sunni MP, blames the uprising in Bahrain on Iranian interference and says that Iran's embassy in Baghdad should be shut.

The prime minister, Nuri al-Maliki, a Shia who spent several years in exile in Iran, has also slammed Saudi Arabia, embarrassing his own ministry of foreign affairs by disparaging so powerful a neighbour ahead of a summit of the Arab League planned for May. Far from curbing his language, Mr Maliki later went on to say that the Saudi intervention in Bahrain could lead to a sectarian war in the region.

The authorities in Bahrain have since suspended flights to Iraq, as well as to Iran and Lebanon, where Hizbullah, the Shia party-cum-militia which underpins Lebanon's current coalition government, has praised Bahrain's protesters. Hassan Nasrallah, Hizbullah's leader, enraged Bahrain's ruling al-Khalifa family by likening it to Libya's Qaddafis. This, said Bahrain's foreign minister, Khalid al-Khalifa, was tantamount to a "terrorist threat". Hizbullah, he claimed, was training Bahrain's opposition; the leader of one of Bahrain's more radical opposition movements, al-Haq, had stopped off in Beirut to meet Hizbullah people on his way back from exile in London to Bahrain. Newspapers in the Gulf say the authorities in Bahrain and the United Arab Emirates have deported several hundred Lebanese Shia expatriates.

Iraq's parliament has now reopened but the row has weakened a coalition government that is in any case built on a fragile ethno-sectarian power-sharing agreement. More than a year after elections, no defence or interior minister has been appointed. Iran, it is said, has been promoting its own candidate for the interior ministry, whereas the defence ministry was promised to Mr Allawi's Sunni-backed block. But Mr Maliki has rejected several of Mr Allawi's nominees. Although the prime minister has a firm grip on the security services and has been trying to expand his own executive powers, he is looking more isolated as erstwhile allies complain that he has broken the promises he made when he was putting his ruling coalition together.

Mr Sadr has sought to capitalise on Mr Maliki's weakness by making himself look less sectarian, for instance by holding press conferences alongside Mr Allawi. The Sadrists have also declared themselves in favour of a freer press and have sounded sympathetic towards protesters on the street. If relations with Mr Maliki worsen, the Sadrists may throw their weight wholeheartedly behind the protesters, who have so far been mainly secular. But some of them say they would work with Mr Sadr's anti-Western religious movement if that would help their cause.

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Tunisia

It could be normal

Tunisia is getting back on track

MUHAMMAD BOUAZIZI's grave is marked by a Tunisian flag and a martyr's epitaph. Sidi Bouzid, a small town in Tunisia's unloved interior, is proud of its revolutionary son, whose self-immolation sparked the uprising that brought down the regime of Zine el-Abidine Ben Ali. Mr Bouazizi's picture hangs in the main street, now named after him. Banners promise to keep his memory alive and stress that Tunisia's revolution began here, in December, not in Tunis in January. Graffiti splashed across the walls exhort the people of Sidi Bouzid to stand up for their rights and to fight for their freedom.

The feverish excitement of January, when Mr Ben Ali fled the country after 23 years in charge, has been replaced by a mood of eager if anxious anticipation. An election for a constituent assembly is due on July 24th. It will be the first to

have the legitimacy of a popular vote. It should provide for a new constitution, parliamentary and presidential elections, and a blueprint for a new Tunisia.

At least 44 political parties have registered for the elections, and more are expected to do so. Few have laid out clear policies. All deride the old regime but few manifestos spell out what they would do instead. Tunisia's main Islamist party, Nahda (Awakening), which was banned under Mr Ben Ali, and the liberal Democratic Progressive Party (known by its French initials, PDP), may, for the moment, lead the pack. With no proper opinion polls, no one knows who will win.

One of the few groups with a national network, Nahda may benefit from a dispersal of votes among the rash of new parties. Its leaders say it wants to be part of a modern democracy with a separation of powers, independent courts and a free press. It endorses a presidential and parliamentary system in which power is not concentrated in the hands of one person.

Ajmi Lourimi, a Nahda notable imprisoned for 17 years under Mr Ben Ali, says Tunisia's capitalist system does not work, but is quick to stress that his party is neither communist nor against privatisation. Tunisia should trade more with its Arab and African neighbours and focus less on Europe, he says. Its interior needs developing. Exiles should come home and invest.

The economy has certainly been hurt by the disruption following Tunisia's revolution and the strife in neighbouring Libya. In February the authorities said they expected growth to dip by 2-3%. Tourism, a big source of income, is down by 40% compared with this time last year. Trade with Libya, on which the south depends, has dried up. Cheap Libyan goods have disappeared. Some 70,000 Tunisians who worked in Libya have fled home.

Still, Noureddine Zekri, the head of Tunisia's Foreign Investment Promotion Agency, says he is optimistic: of the 3,200 foreign companies operating in Tunisia, only 35, he says, have withdrawn since the revolution. FDI has decreased by 22% in the past two months, but confidence will rebound and a broader range of countries will invest, Mr Zekri predicts.

Above all, he says, corruption must be reduced. "With democracy, and all those people watching, we won't have any choice." Yet the focus on corruption has already begun to fade. Some Tunisians give the impression that the removal of Mr Ben Ali and his grasping family has solved the problem. Yet few structures are in place to prevent it from reappearing. The courts still need reforming.

So do the police. Under Mr Ben Ali their main job was political surveillance. During the protests in January and February Tunisians attacked the symbols of oppression, especially police stations. Many were looted and burned. In the revolution's aftermath the police all but vanished; even now you see few of them on the beat. On independence day, March 20th, many cafes on Avenue Bourguiba, the capital's main street, had their chairs stacked away by 9pm as anxious customers, nervous about rising crime, drifted home.

For the moment the army is doing some police work, protecting government offices and other prominent buildings. Signs have appeared telling drivers to honk their horns if they love the army. But democracy campaigners worry that the army may feel forced to intervene in running the country.

The omens are still generally good. Tunisia is a small country of fewer than 11m people with a fairly big and well-educated middle class. The wave of strikes after Mr Ben Ali's fall has died down. The economy could bounce back. The transitional government is unlikely to take forceful measures in the run-up to the election. But a genuine democracy is still in the offing.

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Cote d'Ivoire's civil war

Coming to a crunch

Rebel troops are gaining ground



SKIRMISHES in Cote d'Ivoire between political rivals have grown into a full-blown civil war. Rebel forces allied to the winner of last year's presidential election are sweeping through the country from the west, causing 1m people to flee their homes, many of them to neighbouring countries. West African governments are under increasing pressure to intervene.

For the moment, the forces allied to last year's election winner, Alassane Ouattara, are on the offensive. They have advanced on several fronts and claim to control two-thirds of the country, including the towns of Bouafle and Sinfra. Fighting was also reported in Bouna and Bondoukou. As *The Economist* went to press, the rebels had taken Yamoussoukro, the capital, and the port of San Pedro. Now the commercial capital, Abidjan, in the south-east, is in their sights.

But the fighting is far from over. Forcibly dislodging Laurent Gbagbo, the defeated president, from his palace in Abidjan may come at a high price. His men are supported by mercenaries and are better armed. Mr Gbagbo has called for mediation and a ceasefire, but given no public sign that he is prepared to step down.



A summit meeting of the Economic Community of West African States (ECOWAS) on March 24th implored the UN to mandate its forces to stop the fighting. The regional block failed to dispatch its own vaunted force, the only step likely to end the conflict in the short run. Mr Ouattara has called for it, but Ghana and the Gambia objected. Their motives are murky. The Gambia's president, Yahya Jammeh, is an old chum of Mr Gbagbo, and Ghana makes money from the

conflict. Its smugglers have taken over much of the Ivorian cocoa trade, which has been crippled by the imposition of UN sanctions.

A further obstacle to action from ECOWAS is Nigeria. The only west African state with the military beef to lead an intervention is generally in favour of dispatching peace-making troops but is preoccupied with its own elections this month. But the fighting in Cote d'Ivoire is intensifying so ferociously that Nigerian leaders may have to turn aside from campaigning in the interest of regional stability.

The African Union has been trying for months to persuade Mr Gbagbo to go, but some governments still support him. At the UN the appetite for involvement in African civil wars has been sated for the moment by its intervention in Libya. ECOWAS is Cote d'Ivoire's best-and perhaps last-hope of avoiding the fate of Angola, where a disputed election in 1992 reignited a long-running civil war and fuelled it for another decade.

West African countries have a history of drawing their neighbours into their civil wars and many now fear the Ivorian rot will spread with the refugees streaming out of the country. Some neighbours are already suffering. Three million ethnic Burkinabes, a sixth of Burkina Faso's population, live in Cote d'Ivoire and many have started to leave. Mali and Ghana too are facing an influx of refugees.

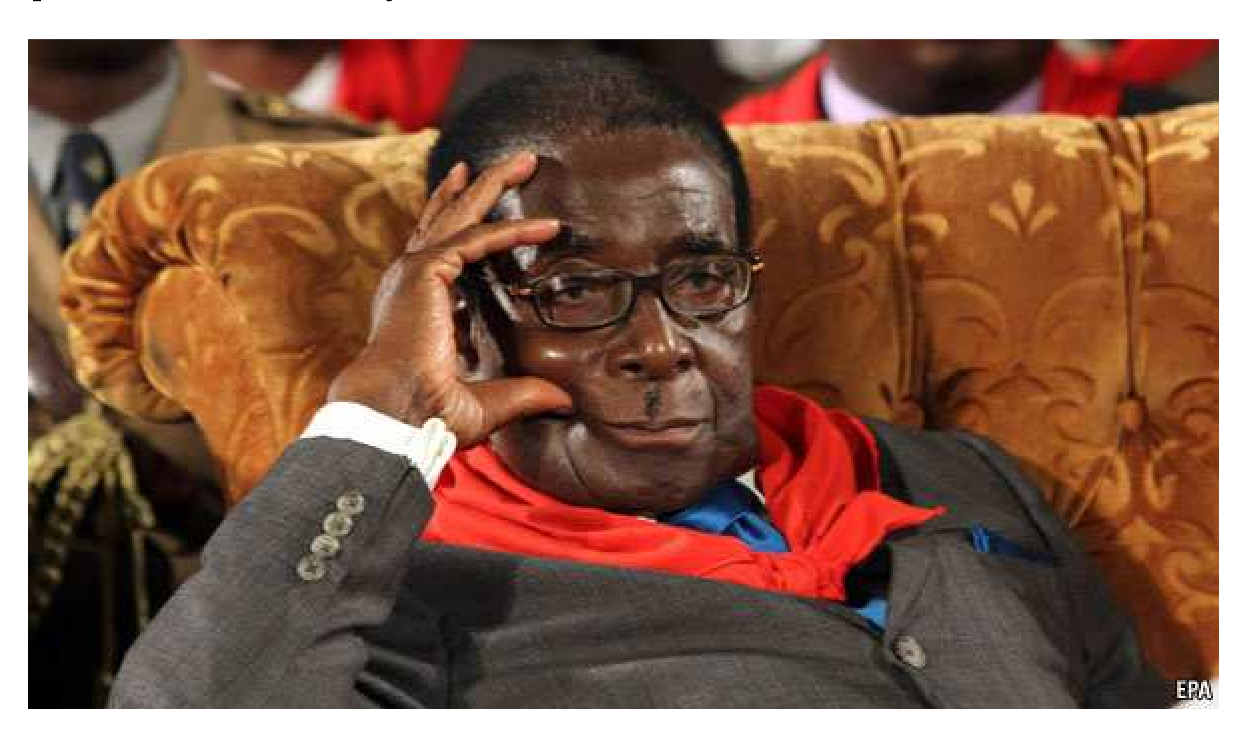
But worst affected country so far is Liberia, which ended its own civil war only in 2003. Its feeble economy is strained by 100,000 newly arrived Ivorians. The most recent lot could make trouble. Unlike the first to arrive, they are not all ethnic kin of the local population, which supported Mr Ouattara. Some of the refugees around the town of Janzon are wearing campaign T-shirts endorsing Mr Gbagbo. There are fears that the refugees might ignite long-simmering ethnic tensions. Graham Greene once wrote that during travels in Liberia's troubled hinterland he "learnt to love life again". Few Ivorians seem likely to concur.

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Zimbabwe

It gets worse again

An election in present circumstances may cause even more bloodshed



ELTON MANGOMA, a member of parliament for the Movement for Democratic Change who is also the energy minister in Zimbabwe's teetering power-sharing government, was brought into court on March 28th in leg irons after being picked

up by police three days earlier. It was his second arrest and incarceration within a month, both times on trumped-up charges of corruption. His colleague, Theresa Makone, a joint minister of home affairs, has gone into hiding after being threatened with arrest for "abuse of office". Another MDC MP, Douglas Mwonzora, co-chairman of a parliamentary committee that oversees the drafting of a new constitution, was recently freed after spending 25 days in one of Zimbabwe's stinking, disease-ridden jails on an equally spurious charge of "public violence". Munyaradzi Gwisai, a law lecturer at the University of Zimbabwe, is facing treason charges, carrying the death penalty, after being held and tortured for more than three weeks. He and five others stand accused of plotting to overthrow Zimbabwe's 87-year-old president, Robert Mugabe (pictured above), after watching a video of the uprisings against ageing Middle Eastern dictators.

In the past couple of months hundreds of MDC officials, human-rights activists and anyone else suspected of not supporting Mr Mugabe's Zanu-PF have been arrested, beaten up, tortured and killed in an upsurge of state-sponsored violence ahead of elections that Mr Mugabe wants to be held by June. Until recently, Zanu-PF youth militias, soldiers and self-proclaimed "war veterans" (many of them far too young to have fought in Zimbabwe's guerrilla war of independence in the 1970s) had tended to limit their terror tactics to the countryside. But now they have begun to rampage through towns as well, smashing windows, looting shops, destroying homes and terrorising the locals, while Mr Mugabe's police stand idly by.

Thanks to the dollarisation of Zimbabwe's worthless currency in January 2009, the economy is growing for the first time in a decade. Life for some Zimbabweans has got better. Civil servants are again being paid, enabling schools and hospitals to open. But Zimbabwe's foreign debt of $7 billion, bigger than the country's annual GDP, continues to hamper the economy. At the same time, much-needed foreign investors are being frightened away by Mr Mugabe's repeated threats to nationalise British and American companies and force other foreign-owned firms to sell a majority stake to black Zimbabweans-at a price apparently to be set by the government-by the end of September.

Meanwhile, most of Zimbabwe's estimated 9m remaining inhabitants (3m or so have emigrated) still live in poverty and growing fear. Many have been disheartened by the MDC's poor performance in government and the impotence of Morgan Tsvangirai, the prime minister and MDC leader, in the face of Mr Mugabe's obstructive tactics. Over the past two years, support for the MDC has dipped from 55% to 38%, according to a recent poll, whereas Zanu-PF's has inched up from 12% to 17%. But more than two in five nervously refused to express a preference; many may abstain through fear. After the MDC's victory in the 2008 general election, Zanu-PF unleashed a campaign of terror in which some 200 were killed and thousands beaten up or tortured. Few people dare hope that an election in the next few months will bring the MDC to power.

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Somalia's civil war

A bloody border

The war intensifies, especially near the border with Kenya



IN THE past few months a force of the African Union (AU), consisting mainly of Ugandans and Burundians, has gained ground in Mogadishu, Somalia's battered capital, pushing the rebels of the Shabab, the jihadist movement linked to al-Qaeda, back to the fringes of the city. That offensive may, however, be faltering, following the death in battle of a score of Burundian soldiers and rising tension between the AU forces and those of Somalia's transitional government.

Lately the war has also intensified to the west and south of Mogadishu, which was previously under Shabab control. Fighters of Ahla Sunna Waljama, a Sufi group which has been fighting the Shabab in central Somalia, say they have taken control of several towns close to the border with Kenya and Ethiopia. As a result, thousands of Somalis have fled across the porous border into Kenya, which now hosts 260,000 registered Somali refugees, along with hundreds of thousands of unregistered ones.

The Shabab says it is still in charge of the south and south-west. It has asserted its authority in some border towns by lopping off limbs or even the heads of men they accuse of fighting against them. The Shabab has also accused Kenya's government of sending its forces into Somalia to help the feeble but internationally recognised transitional government. Sensitive to the views of Kenya's 2m-plus ethnic Somalis, who favour a policy of non-intervention, Kenyan officials deny such direct involvement.

Most of the recently displaced Somalis have taken shelter in and around the Kenyan town of Mandera. Kenya says it has arrested a number of Shabab fighters in the town, including some non-Somali jihadists. Mandera's elders are worried that the violence may be spilling over into Kenya. They express particular hostility to the reported presence of Ethiopian agents in the town. But Mandera has long been a regional hub for the sale of cattle, camels and general trade; the border with Ethiopia and Somalia is only a walk away. Safaricom, a Kenyan telecoms firm, says Mandera has the busiest mobile-phone traffic in the country.

The Shabab may be more resilient than the AU and Western countries would like. Some Somalis originally welcomed it for bringing order and for weaning locals off foreign aid. Moreover, Ahla Sunna is distrusted because it gets military support from Ethiopia, the Somalis' ancient enemy. No single group looks capable of securing permanent control of the border. But the Shabab is on the defensive.

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Germany's victorious Greens

A greener future?

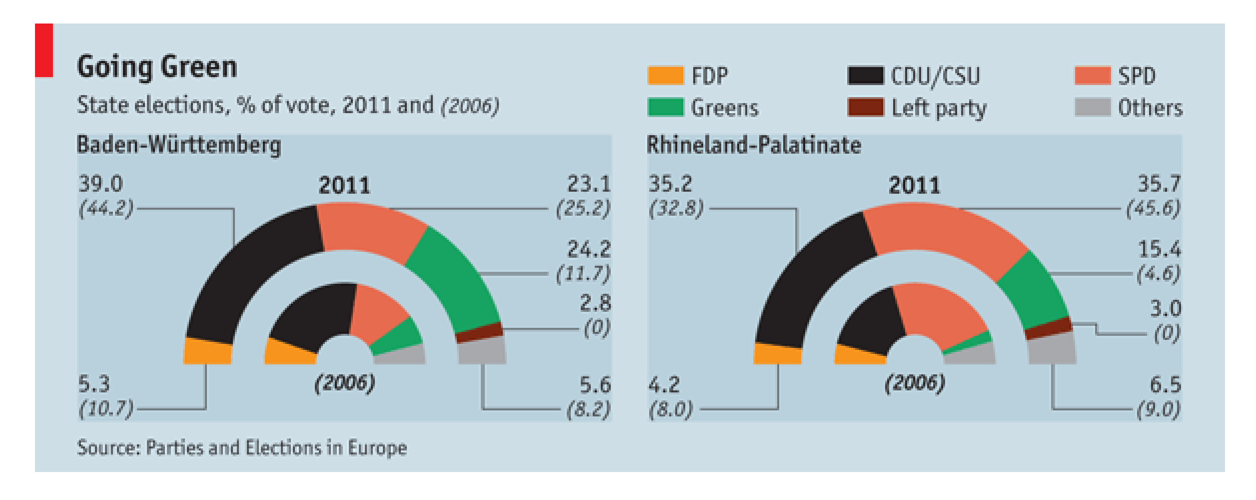
Two state elections have upturned German politics



THE Greens are the "against party". They are against a flashy rail project in Stuttgart, against nuclear power and, say their critics, against progress and growth. Yet on March 27th the party's defiance paid off in stunning fashion. German angst over the nuclear disaster in Japan crested just as two south-western states held elections. In Rhineland-Palatinate the Green vote tripled, vaulting the party into government as junior partner of the Social Democratic Party (SPD), which had previously ruled alone. In Baden-Wurttemberg 58 years of government by the Christian Democratic Union (CDU) came to an end. The Greens will now take control of a state government for the first time.

This almost-unthinkable result is a big blow to Angela Merkel, the chancellor and CDU leader, who has lost the party's crown jewel. Her pre-election decision to shut down seven nuclear-power plants looked panicky rather than principled, and may have made matters worse for the CDU. The elections were an even bigger setback for her coalition partner, the Free Democrats (FDP). But the SPD also has little to cheer about: its share of the vote was the lowest in half a century in Rhineland-Palatinate and the lowest ever in Baden-Wurttemberg, where it will become the junior coalition partner. Only the Greens have reason to celebrate.

The party's offices in Stuttgart, Baden-Wurttemberg's capital, look readier for protests and demonstrations than for the assumption of government responsibility. Yellow drums done up to look like nuclear-waste containers are stacked by the door. Bamboo poles for hoisting banners rest against them. Yet the ready-to-rally impression is somewhat misleading. Baden-Wurttemberg's Greens are on the party's "extreme realist" wing, says Dieter Fuchs of the University of Stuttgart. The incoming premier, Winfried Kretschmann, belongs to the Central Committee of German Catholics and to a traditional shooting club. His down-to-earth Swabian manner matches the state's spirit better than did the conservative pugnacity of Stefan Mappus, the premier he defeated. The export-oriented Mittelstand has nothing to fear, he suggests. "You can be in the black with green ideas," he said in an interview shortly before the election.



Source: Parties and Elections in Europe

That is what he must now prove if the Greens are to be more than a one-term wonder. Voters rewarded them for their stance on nuclear power. But on issues that usually matter more, like jobs, economic policy and education, they rate the Greens below the CDU and even the SPD.

Mr Kretschmann cannot do much on nuclear power, because it is a federal domain. Two of Baden-Wurttemberg's four nuclear reactors were turned off after the Japanese disaster, which is both a curse and a blessing for the new government. Mr Mappus recently paid euro5 billion ($7 billion) for a 45% stake in their operator. The Greens' contribution is a planned "energy transformation", to be achieved partly by speeding up approvals for wind turbines. The state CDU had resisted wind farms, which it derided for producing the *Verspargelung* ("asparagusing") of the countryside, the sort of gibe that one hears more often from Green protesters. Now the Greens must promote progress that others recognise as such.

The problem, Mr Kretschmann and his party think, is that the government is too bossy. He proposes a "citizen society" that would recruit ordinary people to collaborate on big projects. He wants to lower hurdles for initiating referendums, to bring people into the early stages of project planning and to strengthen the legislature, which under the CDU was subservient to the executive. The big test is Stuttgart 21, a rail project that provoked months of mass protests that the Greens joined but the SPD did not. After a "stress test" to see if Stuttgart 21 can do what it promises, both parties want a referendum. Any outcome may discomfit Mr Kretschmann. If the project is stopped, Baden-Wurttemberg will be forced to pay contractors hundreds of millions in fees that it can ill afford. If not, the new premier may find himself boring tunnels while his former comrades march in protest overhead.

In government the Greens will inevitably suffer wear and tear. Relations with the SPD, happy to be in power but shocked not to be in charge, may be tricky. Some of the Greens' goals, like scrapping university-tuition fees, clash with others, such as narrowing the budget deficit. But the opportunity is great. The party has been trying to escape from its environmental ghetto. If Mr Kretschmann manages Germany's showcase economy well, it will help.

Nuclear panic alone does not explain the Greens' success. The party appeals most to groups whose share of the electorate is growing: relatively young, middle-class urbanites with a good education. Its leadership is a harmonious quartet, two men and two women who appeal to different groups of voters, notes Oskar Niedermayer of Berlin's Free University. It has shed its radicalism and, at least in theory, now embraces economic growth. It is now "clearly in double-digit territory," says Mr Niedermayer. It is far from being a broad-based *Volkspartei* like the CDU and SPD, but it is happy in its expanding niche.

As for Mrs Merkel, she is bruised but not broken. The CDU remains the largest party in Baden-Wurttemberg and it almost beat the SPD in Rhineland-Palatinate. "There are not that many countries where a party in government is stable at 35-37% nationwide," says Peter Altmaier, a CDU leader in the Bundestag. The chancellor's rivals within the CDU have either resigned or lost elections. "For the first time she no longer has natural enemies in the party," says Mr Altmaier. Now she is "free to develop her own project a little bit more clearly than in the past."

It may sound eerily like the Greens' idea: marrying the market economy to "sustainability". Mrs Merkel's hasty abandonment of her government's first energy policy, which was to squeeze more power out of ageing nuclear plants, hurt her credibility. Its successor, she thinks, may find new supporters. With the FDP likely to become a more awkward partner (see box), Mrs Merkel may need an alternative after the federal election in 2013. The Greens, seasoned by government in Baden-Wurttemberg, might just fit the bill.

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Germany's Free Democrats

Westerwelle wasted

The liberal party touches new depths. Time for a new leader?



Guido stumbles off the stage

WHEN Guido Westerwelle stumbles, his usual stratagem is to pretend nothing happened. But voters' verdicts in two state elections on March 27th were impossible to ignore. In Baden-Wurttemberg his Free Democratic Party (FDP) saw its share of the vote fall by half. In Rhineland-Palatinate the voters evicted the FDP from the legislature altogether. "We have heard the message," said Mr Westerwelle, who is also foreign minister.

Little has gone right for the liberals since they joined Angela Merkel's coalition in 2009, after winning a record 15% of the vote. Voters look to the FDP for sophistication in economics. But it started by demanding unaffordable tax cuts. When Mrs Merkel vetoed this, the FDP went from a one-issue party to a "no-issue party," notes an academic. Mr Westerwelle has been an erratic foreign minister. He won Germany a temporary seat on the UN Security Council. But he abstained on the resolution authorising force in Libya (having originally wanted to vote no, it is said). Mr Westerwelle is now Germany's least popular politician, an unusual feat for a foreign minister.

There are disputes between those who would court the voters (the general secretary, Christian Lindner, wants to make permanent the closure of seven nuclear plants) and those who prefer to polish the FDP's usual policies on tax cuts, deregulation and welfare. Whether Mr Westerwelle will take the rap for the FDP's electoral setbacks is also unclear. The party's rising young leaders may not be ready to challenge his chairmanship. That the FDP stayed in the Baden-Wurttemberg legislature could save him. Rainer Bruderle, the economy minister who led the party in Rhineland-Palatinate, is under pressure. He reportedly blurted out in a private meeting that the nuclear decision was an electoral ploy (he denies this). Yet he too may survive.

None of this will help the federal government. The FDP needs to express its own personality, which sometimes means challenging Mrs Merkel's line. But there is nothing voters like less than strife among leaders. Even some Christian Democrats hope the FDP regains its footing.

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French politics

Giving the UMP the hump

Local elections offer more reasons for Nicolas Sarkozy to worry about 2012

FROM the leafy boulevards of Neuilly to the angular housing projects of once-industrial Nanterre on the edge of Paris, the department of the Hauts-de-Seine is President Nicolas Sarkozy's fief. It was in Neuilly that the fledgling politician was first elected mayor, at the age of 28. His son, Jean, won a seat as a departmental councillor in 2008. It is the ultimate clannish stronghold of Mr Sarkozy's UMP party. And yet, in the second round of local elections on March 27th in the Hauts-de-Seine, Isabelle Balkany, a friend of Mr Sarkozy and member of his party, lost the seat she had held for 20 years to an unknown rival, Arnaud de Courson, who was also standing on the mainstream right.

Mrs Balkany's defeat was part of a crushing national rejection of the UMP. Mr Sarkozy's camp tried bravely to minimise the result. It was a mid-term protest vote, aides said. Marine Le Pen's far-right National Front (FN) won only two seats countrywide. The UMP even gained control of a new department. Yet, in truth, these elections were a big setback for both Mr Sarkozy and mainstream politics in France.

Besides the low turnout, which itself reflects disillusion, three things stand out. The first is the collapse of the UMP. It took just 20% of the national vote, fully 16 points behind the opposition Socialists. In over 300 of the 2,000-odd cantons up for election, the UMP did not get into the run-off. In 37 of them, including one in Nice, voters faced an extraordinary choice between the FN and the Communists. Elsewhere, rival candidates from the independent right flourished. Some UMP candidates kept the party logo off their posters for fear of deterring voters.

A second point is that this was not as good a result for the Socialists as it seemed at first. The party put a satisfying distance between itself and Mr Sarkozy's lot, leading to much talk of a head start for the 2012 presidential election. But it should have done better given the conditions. Mr Sarkozy is deeply unpopular; unemployment is high; voters are cross with the ruling elite. The Socialists, who have still not picked their presidential candidate for 2012, failed to make themselves the incontestable destination for the disenchanted.

Third, far from being a disappointment, the FN's performance was worryingly impressive. The party won only two seats and 12% of the national vote. But this is misleading, as it got into the run-off in only 400-odd cantons. In these, it took a jaw-dropping average of 40%. Back in 2002, when Ms Le Pen's father, Jean-Marie, made it into the presidential run-off, a wave of shame kept his score down to 18%. This time, from industrial towns in the north to the Mediterranean coast, a disgruntled electorate, from both left and right, handed the FN votes as if it were a party like any other. Two polls this week have once again suggested that Ms Le Pen would beat Mr Sarkozy into the 2012 run-off.

The UMP is tearing itself apart over how to respond. Some, including Mr Sarkozy, want to keep up hard-line talk about immigration and Islam in a bid to win back FN voters. Others think the party should restore a watertight line between Gaullist values and those of the far right. On April 5th Jean-Francois Cope, the UMP leader, is holding a debate on *laicite* (secularism), which has been denounced as anti-Muslim. Francois Fillon, the prime minister, and Alain Juppe, the foreign minister, both disapprove. The split burst into the open this week, as Mr Cope accused Mr Fillon of "posturing". As the UMP struggles to restore unity, the only person likely to gain from the squabbling is Ms Le Pen.

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Ukraine's ex-president

Catching Kuchma

What lies behind the charging of a former president



Former president charges past

THE gruesome murder of Georgi Gongadze, a Ukrainian journalist who was abducted by the police, beheaded and dumped in woods outside Kiev 11 years ago, seemed more a demonstrative punishment than a plan to silence a critical journalist. It was treated as a political symbol, not just a crime. Leonid Kuchma, Ukraine's president at the time, lost first his reputation and ultimately his job over the murder. He was allegedly implicated in tapes secretly made by his bodyguard, although he insists they were doctored.

The murder inspired a popular movement against Mr Kuchma in 2000 that became a precursor to the "orange revolution" of 2004. Viktor Yushchenko, who was swept to power then, pledged to bring the people behind Mr Gongadze's murder to justice. But, like so many of his pledges, this one disappeared. Things got more mysterious in 2005 when a former interior minister, suspected of ordering the murder, shot himself in the head-twice.

On March 24th Ukrainian prosecutors charged Mr Kuchma with involvement in the murder. Few Ukrainians, apparently including Mr Gongadze's relatives, believe that Mr Kuchma actually ordered the killing. But he did create an atmosphere in which a murder could take place and not be properly investigated. Ukrainians are divided over whether he will ever come to trial. But they agree that this case is not about justice so much as Viktor Yanukovich, Ukraine's current president.

Yulia Tymoshenko, leader of the main opposition party, argues that Mr Kuchma's arrest is no more than a PR stunt designed to distract people from their economic woes and to prop up Mr Yanukovich's sagging popularity. "In a month the whole thing will turn into smoke. The question is whether there are enough former presidents [to bring charges against] to cover up for his own failures," she says. Ms Tymoshenko, a former prime minister, is herself under investigation for alleged abuses of office. The charges against Mr Kuchma may be designed to show that the law has not been applied selectively. Or Mr Yanukovich could be driven by the desire for revenge on Mr Kuchma, who has often humiliated him and who refused to use force to stop the orange uprising in 2004.

Mr Yanukovich's "display of justice" could also be aimed at winning credit from the West, which has criticised him for usurping power and squeezing out democracy. Mr Kuchma has hired Alan Dershowitz, a prominent American lawyer and Harvard professor, to argue his case not so much in the Ukrainian courts but in the eyes of Western governments. Mr Dershowitz says that "cases which are brought to show off the system will always bring unjust results."

Yulia Mostovaya, editor of *Zerkalo Nedeli*, a weekly, compares Mr Yanukovich's government to a hot-air balloon that is starting to lose heat. "He needs to get rid of extra weight, and is starting to throw some extraneous people overboard." Mr Kuchma may be only the first of several high-profile sacrifices.

None of this will affect the corruption and redistribution of assets going on in Ukraine, or break the nexus between political power and business. Nor will it improve the living standards of ordinary citizens. What it may do is empower the security services and prosecutors, giving Mr Yanukovich and his henchmen even more reason to stay in power as long as they possibly can.

Spain and immigration

Rising rage

Looming local elections will be bad for Socialists and immigrants alike

IT IS the season for baptising unfinished bits of Spanish infrastructure. In eastern Castellon crowds watched the opening of an airport with no aircraft. Valencians welcomed a metro station with no trains. The deluge of half-finished or barely started projects worthy of tape-cutting is a harbinger of imminent elections in 13 of Spain's 17 regions and all its municipalities.

These are unhappy times for Spain's local politicians. Cash-strapped town halls and regional governments are trimming services even as the unemployed, now over 20% of the workforce, need help. The Socialist government of Jose Luis Rodriguez Zapatero is imposing austerity from above, and a stagnant economy produces few taxes. The Socialists face a drubbing. Strongholds like Barcelona or Castile La Mancha may be lost to the opposition People's Party (PP). Mr Zapatero has become a burden. He is such a liability that his party scrapped the Madrid bullring rally at which its leader opens most campaigns. It is assumed he will not stand for a third term next year. Some in the party want him to state his plans now, but rumours of an announcement this weekend seem wrong. Among those urging him to keep quiet are business leaders like Emilio Botin, head of Santander bank. Mindful of jitters in Portugal, they want maximum political stability to help a fragile economy.

Will Spaniards really think about Mr Zapatero's plans when they vote? Few Socialists criticised the austerity measures that have sent their popularity plummeting. Even replacing Mr Zapatero before next spring's general election might not lift the gloom. The candidates to succeed him, such as Alfredo Perez Rubalcaba, his deputy, and Carme Chacon, the defence minister, are loyal to the boss.

There are local issues too. Valencia has a corruption scandal in which the PP premier, Francisco Camps, is accused of (but denies) receiving expensive suits from subcontractors. In parts of Andalusia voters want to know why Socialist officials gave friends special pensions. In Catalonia the parties compete to sound tough on immigration. In Badalona, a working-class town just north of Barcelona, the PP candidate, Xavier Garcia Albiol, has won local support and national opprobrium for plans to push some immigrants out. "When people stop me on the street, 80% of the time it is to do with immigration or crime," he says.

Badalona's population is only 14.7% foreign, not much above Spain's 12.2%. But Mr Albiol claims ghettos are flourishing, groups of immigrants flout the law and native homeowners are fleeing. The city's Moroccans, Pakistanis and Chinese do not share Badalona's "social, family and cultural values," he says. Romanian gypsies are a bugbear. He pledges to withdraw housing benefits, school grants and other aid from "trouble-makers". Opponents say he is conjuring up racist demons in a country where immigration has not been a big issue. "It is irresponsible to associate immigration with crime and radical Islam," says Xavier Bosch of the nationalist-run Catalan government. But Mr Albiol says his campaign is working. He claims he will take 30% of the vote, enough to become mayor, in a left-wing city where only 19% voted PP in 2008.

He is not alone in waving the immigration flag in Catalonia. Socialist mayors from Barcelona to Lleida want to ban the burqa, even though the courts say they cannot. The nationalist Convergence and Union coalition wants a burqa ban and to make future immigrants take Catalan-language tests. Mr Bosch says his task is to integrate 1m foreigners (one in every seven Catalans) who arrived in the past decade. A survey finds half of Catalans thinking there are too many foreigners. Spain may no longer be immune to the anti-immigrant mood elsewhere in Europe.

Sad island story

Long talks have got little nearer to solving Europe's oldest "frozen conflict"



GLOOM has settled over the Cyprus talks. Under a UN special envoy, Alexander Downer, the Greek-Cypriot president (Demetris Christofias) and his Turkish-Cypriot counterpart (Dervish Eroglu since March 2010), have held 100 meetings since September 2008. But politics intrudes: general elections are due in Cyprus (in May) and Turkey (June). Attention will then switch to Cyprus's European Union presidency in 2012 and its presidential election early in 2013.

After meeting the two leaders in Geneva in January, the UN secretary-general, Ban Ki-moon, expressed grave concern about the talks' slow progress. Yet Mr Downer, a former Australian foreign minister, is breezily upbeat. He told an *Economist* Cyprus conference last month that more had been achieved than was widely realised. He noted broad agreement on such long-term issues as the structure of a federated Cyprus. The toughest disputes are all short term: property, territory and security. Yet Mr Downer says the real question is not whether a deal is possible but whether the two sides truly want one.

And this is where pessimism kicks in. Mr Christofias baldly told the same conference that "progress has been zero since Mr Eroglu was elected." He preferred dealing with the man whom Mr Eroglu defeated, Mehmet Ali Talat. His negotiator, George Iacovou, thinks Turkey does not want a deal at present. Most of the Greek-Cypriot media are rejectionist. Turkish-Cypriots have staged protests against Turkey, their sponsor, but these have mostly fizzled. Mr Eroglu's negotiator, Kudret Ozersay, says that "everyone wants peace, but not everyone wants a compromise." Without more progress, he adds, he might quit.

The talks cannot go on for ever. Time is making them harder. Younger Cypriots have no memory of a united island and the "green line" is coming to look like permanent partition. Mr Christofias seems ready to run again in 2013 if there is a chance of a deal. But without clearer signs of progress, he could well lose-just as Mr Talat did. Is there scope for unilateral gestures? The International Crisis Group suggests several, including Turkey opening its ports to Cypriot trade, Cyprus allowing charter flights to Ercan airport in the north or a supervised return of the ghost resort of Varosha to its Greek-Cypriot owners. But in today's bitter climate, none looks feasible.

What if there is no deal? Many Greek-Cypriots shrug their shoulders: they are now in the EU and the euro. But Mr Downer warns those who want the talks to fail to be careful what they wish for. The economy suffers from the island's division. And a failure to settle the Cyprus problem can only make Turkey's strained relations with the EU worse. Sadly, there is little the EU can do about this. It is perhaps telling that the Greek for give and take is "take and give".

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Charlemagne

The handicapped union

How the weakness of national leaders is paralysing decision-making in the European Union



WHEN Enda Kenny, the new Irish prime minister, pleaded at a European Union summit last month for more lenient bail-out terms, his fellow leaders derided one of his arguments: that he had been overwhelmingly elected on a promise to get a better deal for his country. So what? We all have elections, they said.

In a club of 27 democracies, with an endless succession of national and regional ballots, electoral calculations inevitably colour decision-making. Yet domestic politics is now proving particularly debilitating to governments, whether conservative or socialist, northern or southern, creditor or debtor.

A fortnight after Mr Kenny's appeal, another EU summit was overshadowed by the resignation of Jose Socrates, Portugal's Socialist prime minister, who had failed to get his latest austerity plan through parliament. Two days later Angela Merkel, the German chancellor, so powerful in bending Europe to her will over the euro crisis, was weakened by two state elections. Her main European ally, Nicolas Sarkozy of France, was humbled in local elections on the same day.

Several others are weak as well. In the Mediterranean the Italian prime minister, Silvio Berlusconi, has just appeared in court for the first of several legal cases that threaten to undermine his leadership. Spain's Jose Luis Rodriguez Zapatero is hugely unpopular at home. In northern Europe, Danish, Dutch and Swedish anti-immigrant parties have new political clout. In Finland the True Finns party may do well in the April 17th election. And in Brussels a caretaker prime minister has run Belgium desultorily since an election in June 2010-beating all records for government paralysis. These days, in short, summits are like a mad hospital ward, filled with the broken-limbed, straitjacketed and terminally ill. No wonder EU leaders are struggling to cure the sovereign-debt crisis.

Take the summit on March 24th-25th, billed as the moment when the EU would finalise its "comprehensive" response to the woes of the euro zone. Domestic upheavals once again prevented united and convincing action. One reason was the political meltdown in Portugal. Many are urging Mr Socrates to apply for a bail-out, but he prefers to limp on to the election, in May or June. He is keen to avoid a return to the IMF-imposed strictures in the 1970s and 1980s, still remembered in a famous protest song. "There is no power that can bend the IMF," it goes.

But a second difficulty was Mrs Merkel's decision to reopen the deal struck just days earlier by finance ministers on how to fund a permanent rescue mechanism for the euro zone. Worried that Germany would have to pay in too much capital in 2013, a federal election year, Mrs Merkel secured a deal to build up the fund more gradually, over five years instead of two. What if the fund lacks the money to save a country in need? Never mind, said the leaders, we'll think of some way of making up the money.

The third obstacle was placed by Finland, which is blocking any agreement on boosting today's underpowered temporary fund. Helsinki does not want to take on any additional burden before April 17th. A change would require a recall of parliament, now in recess, and boost the True Finns, who are riding a wave of anger over the euro-zone bail-outs.

Conflicting national interests have always dogged the EU. Even so, Euro-optimists say, it has been able to take far-reaching, even unpopular, decisions in times of need. It has gone further in toughening budgetary rules and integrating economic policies than anyone thought possible a year ago. True enough. Yet despite all that, the EU has not done enough to quell the markets.

So why are Europe's leaders so debilitated? To some extent, political fatigue has set in. Mr Berlusconi is in his third stint as prime minister; Mr Socrates and Mrs Merkel have been in office for six years. The economic crisis has also battered both those who are having to take harsh austerity measures and those having to lend them money. But deeper forces are also at work. Traditional parties have weakened with the decline of class-based politics. On the left, changing economic and social structures have shrunk the old working class. On the right, typically dominated by Christian Democrats, religious influence has waned and the anti-communist rationale disappeared with the Berlin Wall. Some voters sense the powerlessness of national leaders before problems like climate change and the financial crisis. Others demand protection from global economic forces and immigration. Fragmentation and disillusion create space for narrower groups, be they Greens, regional parties or a ragbag of anti-immigrant, anti-EU and far-right parties.

In short, stable majorities are harder to establish (a coalition even runs Britain, where the first-past-the-post system is designed for single-party government). And once in power, notes Peter Mair of the European University Institute in Florence, governments lose popularity more quickly, not least because they are constrained by decisions taken in Brussels. "The mass party is dead, and parties no longer command the loyalty of their followers," he says. "This leads to what Italians call *immobilismo*."

Real leaders, please

The answer is not to bemoan national politics, but to enhance democracy. In Europe the Brussels institutions could be made more relevant to voters, for instance by strengthening the influence of national parliaments over EU decisions. At home leaders must learn that voters are less tribal, more critical and better able to sniff out hypocrisy. That is a good thing, and places a bigger premium on sound leadership, credibility, conviction and serious argument. If Mr Sarkozy were less mercurial, Mrs Merkel less prone to panic, Mr Zapatero more convincing and Mr Berlusconi less of a buffoon, Europe would be less handicapped.

Economist.com/blogs/charlemagne

Public-service reform

Dave's amazing adventure

Overhauling the public services is proving slower and harder than the government once hoped



HEALTH-CARE reform's potential as raw material for rappers has hitherto mostly gone unnoticed. Now the government's plans for the National Health Service have been satirised in a ditty entitled "The NHS is not for sale"; it registered over 150,000 YouTube hits within a week. Nearly a year after the coalition came to power, offering the most sweeping public-service reform agenda since Margaret Thatcher, grind-and ridicule-have beset it. Ministers look tired; U-turns, refinements and clarifications are frequent.

The official line is that reforms to schools, the NHS and other institutions are proceeding as intended. David Cameron is sticking to his plans to devolve more power to those directly delivering the services, cut out bureaucratic middle men and enhance competition. But scratch a bit deeper, and worries about the impact and pace of the changes are evident. "We haven't succeeded in explaining how our approach saves money and delivers better services," admits a senior minister.

Andrew Lansley's bid to devolve the commissioning of hospital care, and responsibility for much of England's health budget, to GPs has proved the most contentious policy. Under the health secretary's scheme, GPs will be obliged to form new commissioning consortia; they will also have more freedom to choose private health-care providers over state ones.

Mr Lansley points out that his changes are going more smoothly than hostile interest groups suggest: 177 consortia, covering 70% of England's population, have already been set up (the deadline for transferring to the new arrangements is April 2013). But the timescale is alarmingly variable. One senior government figure thinks this and other public-sector reforms will take "between five and 15 years" to bear fruit nationally. That might be asking a bit too much of public patience.

Sell Stockholm, buy Harlem

Meanwhile the education secretary Michael Gove's once-prominent focus on new Swedish-style "free schools"-to be funded by the state but run by charities, parents and others-has been wavering. Although he denies a shift, chains of academies-state schools turned over to autonomous providers-are now being heralded as the driving force of schools reform. Mr Gove is sounding keener on American-style Charter schools than on the Swedish model, in part because the Charter programme has a clearer record of helping to transform education for the poor.

And a bitter row is under way over how far the rise in tuition fees to pound9,000 ($14,500) for some universities should be dependent on them admitting more students from poor and ethnic-minority backgrounds. Supported by Vince Cable, the Liberal Democrat business secretary who is responsible for higher education, the Office for Fair Access, a regulator, wants a portion of the higher fees to be diverted to outreach efforts. It threatens to impose a cap for those universities who don't oblige. Frustration in the universities is matched by outrage among Tories, who are afraid of damaging standards and biasing the system against middle-class applicants.

Serious reform is always painful: Mrs Thatcher was widely loathed in her radical second term; Tony Blair complained about the "scars on my back" from his fights with public-sector workers. As then, today's plans pitch fears about the cost

and alleged chaos of upheaval against hypothetical arguments for change. But the government's year-long adventure in reform suggests some other patterns.

First, expectations matter. Before last year's election the Tories reassured voters that there would be no "top-down reorganisation of the NHS". Mr Lansley's plans might have caused less of a rumpus with more explicit warning. The civil service matters too: Number 10 complains that it is being insufficiently zealous in implementing the government's agenda. Officials counter that the problem is the volume of new measures, and varying competence in departments, rather than intransigence.

Just as importantly, the coalition has learned that the messy happenstance of everyday government can be disruptive and demoralising. A climb-down on the proposed sell-off of forests was followed by a concession over the abolition of the Education Maintenance Allowance, a subsidy intended to keep 16-19-year-olds in learning, after a threatened legal challenge. Number 10 recently intervened to demand a reversal of plans to cut school-sports funding. None of these was a major reversal; but they have rattled MPs, who wonder whether to stick their necks out to defend bigger schemes that might be cancelled or amended.

Finally, the exigencies of coalition have been a burden. A plan to reform housing benefit, vaunted by the Tories in opposition, has been dropped from the government's welfare-reform bill after rows with the Lib Dems about whether it would penalise low-earners. (The broader plan to introduce a single "universal credit" to replace multiple allowances for those out of work has created its own new network of unintended complexities and forthcoming climb-downs.) The emphasis on fairness in the Tories' coalition agreement with the Lib Dems helps to explain the reorientation of Mr Gove's ideas.

So far, the architecture of the coalition has held up well. Mr Cameron and Nick Clegg, the Lib Dem deputy prime minister, share a vision of a public sector enlivened by greater competition and less dependent on a dwindling pot of state funding. They do, however, need to make a bolder case for why they are fighting on quite so many fronts-and to tell the public when it can expect to feel the benefit of the slimmer, fitter Leviathan it has been promised.

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Street parties

Party like it's 1981

Hanging out the bunting for William and Kate



That was then

"PRINCELY marriage is a brilliant edition of a universal fact" that "rivets mankind", observed Walter Bagehot, a Victorian editor of *The Economist*. It is also a good excuse for a knees-up; specifically, according to a national tradition dating to the "peace teas" held to celebrate the Versailles treaty in 1919, for decking residential streets with Union flags and setting up makeshift tables in the road. Despite some naysaying predictions to the contrary, the tradition will be honoured on April 29th, when Prince William marries Kate Middleton: the Local Government Association says party organisers have submitted over 2,000 requests for road closures.

Communal street parties reflect the fuzzy political fad of the "Big Society", David Cameron's term for the local civic activity that he desperately wants to cultivate. To help jolly people along, the day has been designated a one-off bank holiday; local councils have simplified the licensing process for celebratory events; some government departments have used Twitter to encourage participation. Mr Cameron and his wife Samantha are hosting an exemplary party in Downing Street, having applied to close their already inaccessible road.

Yet since William's parents, Charles and Diana, married in 1981, the country's streets have become markedly more fragmented. A report last year by Co-operatives UK, a trade body for co-operative businesses, compared polling data from 2010 with a survey conducted in 1982 and concluded that, judging by how well people know others in their street and how often they interact, Britons are "less than half' as neighbourly as they were 30 years ago. Many of next month's revellers will be introducing themselves as they put up the bunting.

Then there are the evolving attitudes to monarchy. The proportion of Britons who want to abolish the monarch has hovered around 30% for decades, but indifference and ridicule have risen. Chris Gittins of Streets Alive, which provides advice on parties, recommends that, given the mix of attitudes likely to be found on most streets, organisers should consider branding their shindigs as ecumenically as possible.

The self-explanatory lobby group Republic is offering to console some of the most monarchy-allergic. Membership has risen sharply, to around 14,000, since William's engagement was announced, says Graham Smith, its campaign manager, echoing the surge in interest in its Swedish equivalent in the run-up to the marriage of Crown Princess Victoria in 2010. Republic has been granted permission to close Earlham Street, a cobbled road in Covent Garden, to host a "Not the Royal Wedding" party, "celebrating democracy and people-power rather than inherited privilege".

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Anti-bribery laws

Palms ungreased

A long-delayed anti-bribery law will soon come into force

THERE is a lingering assumption among Britons that their country stands for probity and fair play. Ask about it abroad, though, and you sometimes get a different reaction. Anti-corruption campaigners still bring up Tony Blair's decision in 2006 to abandon an investigation into a pound43 billion ($70 billion) weapons deal with Saudi Arabia. Then there is the peculiar paucity of British "sanctions" imposed under an international bribery convention: two between 1999 and 2009, compared with 88 in America, 26 in Germany and 40 in Italy.

Stung by such talk, in 2008 the previous Labour government proposed a new law updating the country's antiquated rules on backhanders and bungs, including those dispensed overseas. Both the Liberal Democrats and the Conservatives, now in government, backed the law in opposition. It reached the statute book in April last year; under it, miscreants risk big fines and up to ten years in prison. It was due to take effect in April this year, after the publication in January of guidelines on how to apply it. But, as the date approached, the Ministry of Justice said the implementation of the law had been postponed to allow the guidelines to be tweaked, following intense lobbying from business groups such as the Confederation of British Industry.

On March 30th the ministry said the law would finally come into effect on July 1st and issued a revised set of guidelines. These clarify some of the things that were worrying bosses. To the relief of football clubs, swanky nightclubs and Formula 1, taking clients on company-sponsored jollies seems unlikely to cause any problems. The question of how responsible British firms are for the misbehaviour of contractors in other countries has been clarified.

On the other hand, "facilitation payments", a euphemistic term for the small bungs sometimes paid to foreign officials to expedite a legitimate service-a licence application, for instance-are discouraged. America's Foreign Corrupt Practices Act, one of the inspirations for the new law, allows them.

Lawyers are still pondering precisely how much legal force these guidelines will have. One particularly thorny question is whether foreign firms that are listed on British stockmarkets but conduct little other business in the country will be covered. The government has offered no opinion; the question might one day make for a fascinating court case.

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Policing violent protests

The battered blue line

New police powers will only go so far in dealing with rioters

AS HUNDREDS of thousands of people marched peacefully through central London in a rally against the government's spending cuts on March 26th, a hundred or so vandals, thought to be extreme anarchists and anti-capitalists, rampaged nearby. Banks and upmarket retailers near *The Economist*'s offices still bear the scars of the mayhem. Not for the first time, the Metropolitan Police stands accused of mishandling the unrest.

Even when attacked with missiles-including, reportedly, ammonia-filled lightbulbs-officers were restrained. They stood off as shop fronts were trashed and small fires were lit. (Fewer than ten people have been charged for crimes relating to violence, though many more for the aggravated trespass of Fortnum & Mason, a department store in which demonstrators staged a mostly peaceful sit-in.) There seemed little excuse for being caught out by the trouble: it had been planned online; there was violence at a protest against higher university-tuition fees three months earlier.

Yet the police could be forgiven for feeling exasperated by this criticism. After all, their handling of some previous demonstrations in London was condemned as too harsh. The tactic of "kettling" protesters-detaining them for extended periods within cordons of officers-has attracted controversy. The case of Ian Tomlinson, who was pushed to the ground by a police officer during a protest in 2009 and later died, is the subject of an ongoing inquiry.

It might be impossible to strike a Goldilocks-style balance-neither too tolerant nor too tough-that would please everybody. But there is a palpable need for consistent rules of engagement. There are likely to be more big marches in the coming years, as the government's cuts bite. Even Prince William's wedding to Kate Middleton on April 29th is purportedly being targeted by unruly demonstrators.

On March 28th Theresa May, the home secretary, said that she would consider giving the police more powers for future protests. Preventive measures that helped to ease Britain's once-endemic problem of football hooliganism could be adopted. For example, rogue elements could be banned from attending marches (though this would be harder to enforce than a ban on a hooligan entering a stadium). Mrs May hinted that the police should use existing powers to force protesters to remove the balaclavas and face-coverings often worn by rioters. Many would like her to go further. Andy Hayman, a former assistant commissioner of the Met, suggests dawn raids on known troublemakers' homes.

New rules and powers, however, will only help to deal with the most hardened and violent rioters. A larger, trickier group are clever enough to cause trouble while staying within whatever laws prevail at the time. Disruption and intimidation that stops short of actual violence are becoming their speciality.

In any case, the allegedly lax line taken by the police towards the violence probably has less to do with their powers than with fears of being accused of brutality. Britain has lived through angry political epochs before: there were riots against the "poll tax" in 1990, for example. But in those days a police officer's every action was not filmed on protesters' mobile-phone cameras. The technology enables scrutiny. It also risks shaping a policing strategy that errs on the side of passivity.

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Wiring up the Tube

Always on

The internet could soon be available underground



FOR many commuters, the London Underground provides a welcome refuge from the deluge of e-mails, text messages, phone calls and the like that characterise life in the 21st century. Beneath the ground mobile phones cease to function, iPads fall off the internet, and-after they negotiate the sometimes Hobbesian struggle to board a train-the capital's salarymen can enjoy a few minutes of crowded peace.

Now this last bastion of un-connectivity is to be breached. On March 29th Transport for London (TfL), which runs the network, invited tenders to provide wireless internet service at up to 120 stations, after a successful trial at Charing Cross station. If all goes according to plan, access should be available by the summer of 2012, in time for the London Olympics. Basic information, such as travel news from TfL, will be free, but commuters will have to pay to use the rest of the web.

Connecting up Tube stations might seem like an extravagance given the concomitant news that TfL, which is in the middle of an overdue and decades-long programme of Tube upgrades, plans to raise ticket prices and find pound7.6 billion in "efficiency savings" over the next four years as its Whitehall funding is cut. But with other cities such as New York, Washington and Tokyo pressing ahead with similar plans, Tube bosses are anxious not to be left behind. And rather than costing money, they hope that the deal will ease their financial worries: whichever firm wins the tender will have to split some of its revenue with TfL.

To begin with, internet usage will be confined to the stations, with no reception in the tunnels themselves. That could change if the underground ever gets mobile-phone access-an enhancement that has been mooted for years, though the technical difficulties of running radio networks in cramped tunnels have so far prevented it from happening.

However, TfL is said to be in discussions with Huawei, a Chinese telecoms giant, and Thales, a French electronics company, about a pound100m deal to provide a system that would work in the tunnels, with miniature transmitters and receivers bolted to the ceilings. Given the easy availability of dongles and smart-phones that can connect to the internet using mobile signals, the entire Tube would be wired up-and there would be nowhere left that your boss could not find you.

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Legal reform

No fee lunch

An overhaul to civil litigation is bad news for lawyers

LOSING a law suit is painful. Being landed with an inflated bill for the other side's costs makes it worse. Under a reform made by the previous Labour government in 1999, winners in civil actions are able to recover not only their costs but also a "success fee", paid to their lawyers, and even the cost of insuring against losing: that can raise the final bill fourfold. The change was meant to give the needy access to justice, by making their custom more worthwhile. But it has also encouraged unscrupulous and frivolous litigants, and a legal industry that caters to them. Now, in the latest of its bids to make justice cheaper, speedier and simpler, the coalition government is proposing big changes to civil litigation.

Costs in civil cases in England and Wales have spiralled over the last decade. The National Health Service, for example, paid out pound297m in damages and pound121m in claimants' legal costs in 2009-10. In some cases, costs exceed the damages awarded. That is good for some lawyers, but bad for justice (and, when public bodies are sued, for the taxpayer). Some defendants with strong cases cave in rather than risk a crippling bill. Businesses complain that fear of being sued clogs up the workplace with silly rules and paperwork.

The ultimate aim of proposals outlined on March 29th, says Ken Clarke, the justice secretary, is to make litigation the last resort in civil disputes, not the first. One big change is that the "success fee" would in the future come out of any damages awarded-but only up to a quarter of the total. The premium for insurance against losing would no longer be recoverable: those who want it will have to stump up in advance, and recover the cost out of their damages. As a sweetener, standard damages awards will be raised by 10%.

Lawyers' incentives should change: instead of racking up costs, they would try to maximise the damages that their client receives and compete on who takes the smallest slice of the winnings. Critics say the reform, like recent changes to the legal-aid system, would make poor clients' "no win no fee" cases riskier and less attractive to lawyers.

Other changes aim to make formal law suits not just less costly, but less likely. The government wants to bring more disputes into the small-claims process, in which parties can argue their cases without lawyers or expensively prepared documents, and sometimes even by telephone. This currently covers cases involving claims of up to pound5,000; that would rise to pound15,000. The government also wants to expand the use of an online system already employed in some motoring-injury suits, and for fewer cases to go to the High Court.

The new regime, like the government's new rules for divorce, would also encourage people to try to resolve disputes by mediation. Last year three-quarters of all civil claims lodged-87,000 cases-were settled before they actually came to court. Reaching agreement even earlier would save time and money. Mediation will now be compulsory in small cases (where it is proven to work well); parties in bigger cases will be cajoled to try it too. That should be good for the litigants, even if it is less lucrative for the lawyers.

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Preschool education

Learning to let go

Sound ideas for teaching toddlers-but they still start school too young



Don't sweat the small stuff

DAME CLARE TICKELL struck a blow for common sense this week. On March 30th the head of Action for Children, a charity, set out the conclusions of a review she led, at the government's behest, of the rules governing early-years education. Dame Clare wants to cut to 17 the over-prescriptive list of 69 skills that nursery staff and childminders must impart to their charges before they toddle off to school. She hints that more stress should be placed at this tender age on

language and social skills than on reading and writing. Paperwork should be reduced to a minimum, and parents more involved. All that is uncontroversial, you might think.

Under the previous Labour government, the state intruded ever further into the lives of youngsters. The schools inspectorate, Ofsted, was given power to inspect not only nurseries but even childminders, who typically care for a baby and a couple of toddlers in their own homes. The national curriculum was extended to cover three-year-olds, and Ofsted judged harshly those who failed to take a register twice a day (even though it would be immediately obvious if one of three children were missing), or did not complete a risk-assessment form every time they went to play in the park. New and laborious rules governing all this were spelled out in 2008.

Part of the reason for the intense interest in infants was Labour's laudable desire to improve social mobility. By the time children start school proper (generally at four), the effects of class are already apparent: those who were a bit dim at the age of two but raised in prosperous homes overtake initially brighter ones brought up in less salubrious surroundings. Early learning can be an important counterweight. In most developed countries, the 15-year-olds who are best at using what they have learned in reading, maths and science tend to have attended some sort of nursery school before starting formal education, according to the OECD, a think-tank.

Another reason for the interest is financial. Since 2004 the state has given vouchers to parents of three- and four-year-olds to pay for up to 15 hours a week of child care during term time. It has a stake in how these are used.

Labour's so-called "nappy curriculum" has apparently helped in some ways. Some 56% of children now start primary school with "good" levels of development, up from 46% three years ago. But Dame Clare spoke for many when she called the curriculum "cumbersome, repetitive and unnecessarily bureaucratic". She wants nurseries and childminders to help children learn how to make friends as well as how to sit down and write the alphabet from the age of four.

The government is likely to accept these ideas. It is a shame, though, that more radical change has not been considered. English children start formal education very young by international standards: in some parts of Europe and America, children get down to business only at six. And coaxing toddlers to recognise numbers and write their names does not appear to give them an advantage: by the age of 15, on OECD data, English students lag behind others who started later. Margaret Edgington of Open EYE, which campaigns against formal teaching at an early age, reckons the state would do more for poor children by giving them more opportunities to play.

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Bagehot

Hey, big spenders

Ed Miliband must start leading his party on public spending, instead of following it



WHAT is Labour for when money is tight? The party will not return to government without a credible answer to that hard question. Alas for Ed Miliband, Labour's leader, his party's core supporters appear unready to accept even the question's premise. Listen to their debates, and too many want to believe that-if only the government levied more taxes on banks, bankers, financial transactions, offshore corporations, landowners, people with two houses and so on-there would be pots of money around, and no need for painful cuts.

The wider British electorate disagrees: 57% told one recent poll that the Conservative-Liberal Democrat coalition's cuts are either pitched right or do not go far enough. In a bid to straddle that divide, Mr Miliband-whose formal position is to back deficit-reduction plans almost as severe as those of the government-is trying to have this debate both ways. At a big trade-union rally in central London on March 26th, he earned heckles of "rubbish" by telling the crowd that Britain had to make "some cuts". (And this after he had flattered his audience that they were "standing on the shoulders" of the suffragettes, the American civil-rights movement and anti-apartheid campaigners.) Barely pausing for breath, Mr Miliband then hinted that the "no cuts" movement might be correct, thundering: "how can it be right to be closing children's centres, when the banks have...business as usual?"

On one level, having it both ways is the normal job and luxury of an opposition leader. This early on, Mr Miliband's task is easy to describe: to look plausibly prime ministerial and economically competent, while tearing chunks out of the government. But arguably the most important bit-repairing Labour's reputation for economic sense-will be anything but easy to pull off. He and his pugnacious shadow chancellor, Ed Balls, like him a former aide to Gordon Brown, often talk about how the coalition is cutting "too far, too fast". Yet their party was in charge when the economy fell off a cliff. To be taken seriously now, they must explain whether they think previous levels of state spending were sustainable (and, by implication, whether they could be repeated). Mr Miliband and Mr Balls offer no clear answer to such questions. That, sources say, is because Labour's wider leadership is still at odds over its party's economic record.

Party leaders do agree that the public finances are in a mess because the previous government was obliged to rescue the banks. They are agreed that the global credit crunch was not their fault (and if Labour did regulate finance too lightly, well, the Tories would have been worse). But when it comes to judging the heady years before the crash, when Mr Brown siphoned off the proceeds of the financial boom and hosed them at the public sector, Labour grandees do not all agree. In the despairing words of a Blairite frontbencher: "there's a substantial view around that, if it hadn't been for the rock, the ship wouldn't have gone aground."

On March 25th Labour held a policy meeting between activists and the shadow cabinet in Nottingham. To the delight of Team Miliband, more than 2,000 people turned up. The forum received almost no coverage compared with the march on the following day, or the ruckus caused by fringe protesters who occupied or attacked London shops and banks accused of dodging taxes. Yet the Labour forum was arguably more revealing.

In Nottingham, Bagehot scribbled notes on each intervention he heard. Not one speaker identified themselves as a businessman or entrepreneur. Instead there were councillors, teachers, a university vice-chancellor, National Health Service staff, pensioners, a Post Office employee opposed to privatisation, workers from a housing association and a disabled charity, the head of a youth charity working with gang members, civil servants, a former magistrate, the boss of a

mental health co-operative, lots of students, a pensioner with Parkinson's and three parents of disabled children. Their uniform appeal to Labour was: make these cuts go away.

These were not monsters of selfishness (apart, perhaps, from the undergraduate who complained about repaying tuition fees when she really wants to buy a car). Many defended valuable services. Disabled speakers argued convincingly that they would end up costing the state more, if cuts removed support that currently allows them to work or lead independent lives. Equally, Mr Balls draws on sane, mainstream Keynesian arguments when he predicts that deep, rapid cuts in spending will trigger a recession and unemployment (though this newspaper disagrees).

Preach to the unconverted

In short, Labour and its allies are terrific at mounting counter-arguments to the coalition's cuts. The trouble is that their counter-arguments all point one way. Spend now to save later. Spend for growth. Tax more to spend more. Such messages make Mr Miliband's voter base feel better. There was warm applause in Nottingham for a woman who-after denouncing press reports about people abusing benefits-ringingly declared: "We are entitled. We are all entitled, we live in a modern country." Yet that is not how most people talk, or think. Many coalition cuts will be unpopular. But millions also believe the previous government spent too much.

Mr Miliband's camp is adamant that he will not apologise for Mr Brown's record. It is not reasonable to demand of an opposition-as government ministers do-that it list every cut it would or would not make now. But Mr Miliband must set out a credible vision for the future, starting with public spending. If Labour can never again spend as freely as Mr Brown did, he has to explain what his party offers instead. The Labour movement is unready to move beyond angry opposition to cuts. Well then, Mr Miliband must lead, not follow.

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Home births

Is there no place like home?

Where women give birth is a contentious issue across the rich world



A RISKY and self-indulgent eccentricity, or a return to natural obstetrics? A medical and political row rages between supporters of home birth, many of them midwives and expectant parents, and its detractors, many of them doctors. Start telling women where they may or may not give birth, with hints that the choice may endanger their child's life, and the gloves come off. A court in Hungary has just sentenced the country's leading proponent of home births, a midwife and obstetrician called Agnes Gereb, to two years in jail for medical negligence in a case concerning two births, in one of which the baby died. She has also been banned from practising for five years.

Stereotypes and simplifications are in rich supply. Many doctors think they are trying to curb a bunch of lentil-munching fanatics who ignore the dangers of something going suddenly, and badly, wrong in childbirth, when even a few minutes' delay can be fatal. The home-birthers decry grasping, bossy doctors who turn a natural experience into a near-emergency needing medical intervention. Hospital births are more likely to end in Caesarean sections, and to involve episiotomies (cutting the vulva) and epidurals (which increase the odds that the labour will require forceps, which can tear the perineum).

Two kinds of risk are at issue. Giving birth at home may be safe most of the time, but when things do go wrong, they are more serious. In hospital more things go wrong because intervention is more common, but the complications are less likely to be lethal or to cause permanent damage.

Views on home birth vary widely between countries. In Hungary Ms Gereb has helped at more than 3,500 home births (and attended more than 6,000 in hospital). But she was on shaky legal ground. Regulations there have for decades restricted the work of midwives, however experienced, to the point where it was, in effect, illegal for them to attend home births. Now a change in the law from May 1st will explicitly allow home births for a restricted category of younger mothers with uncomplicated pregnancies. Ms Gereb is appealing against her sentence, which was tougher than even the prosecution wanted. Police have closed the birthing centre she founded and seized its records.

Hospital game

Home births in selected European countries

Country	Home delivery index*	Reimbursed†
Belgium	1	Yes
Britain	2	Yes
Czech Republic	3	No
France	4	No
Germany	1	Yes
Hungary	3	No
Italy	1	No
Netherlands	2	Yes
Sweden	3	Yes‡

Sources: European Parliament; *The Economist*

*1=Neutral 2=Encouraged 3=Discouraged 4=Made difficult
†Social security or health insurance
‡Only rarely

Few other regimes are as tough, but in most countries the medical establishment discourages home births and insurance schemes will not pay for them (see table). In America, where only 0.5% of births are at home, midwives like the idea but doctors are uneasy. The American College of Obstetricians and Gynaecologists "strongly opposes" them. In France red tape snares most would-be home birthers; the costs are not fully reimbursed, as they are for births in hospital. Home births are rising in New Zealand, but not in Australia. In Britain only 2.7% of births take place at home, but the government wants them to be more readily available and both doctors and midwives agree.

The big outliers are the Dutch. Though numbers have declined since the 1960s, nearly a third of mothers still choose to give birth at home. The Dutch perinatal mortality rate is one of the highest in Europe, though the cause is contested. Supporters of home births say that the numbers are still not all that high, and have to do with poor assessments of how risky pregnancies are. Nonetheless, they highlight how difficult it can be to determine whether a pregnancy is "low risk" and thus suitable for a home birth. For first-time mothers, judging the ease of birth is particularly tricky. Some complications cannot be predicted.

Nick Thorpe, a Budapest-based father of five (all delivered at home by Ms Gereb) says that Hungarian doctors have never seen a birth that did not involve significant medical intervention: episiotomies are standard and over 30% of births are by Caesarean section. There and in other countries, money may play a role, too. Grateful patients make unofficial payments to their doctors, who have a vested interest in stressing their essential role. Home births are bad for business, both among obstetricians and pharmaceutical companies.

Perhaps because of the stakes, medical research into the relative risks of home and hospital births is bitterly contested. Critics of home births cite a meta-analysis of over 500,000 births in the *American Journal of Obstetrics and Gynaecology* (AJOG) that concluded that neonatal death (a baby dying in the first 28 days after birth) was three times more likely in a home birth. But the perinatal mortality rate (the number of babies that die between the 22nd week of pregnancy and the first week after birth) was about the same.

Take a deep breath

The National Childbirth Trust, a British parenting charity, questions the data behind the study. Only one of the studies used showed a big increase in neonatal deaths. Including unplanned home births, inevitably more dangerous, may have skewed the data. Lesley Page, a professor of midwifery at King's College, London, has studied home births in Canada, where she and other researchers found that home births are just as safe as hospital ones-for healthy women expecting healthy babies, attended by a well-trained midwife, and with a hospital nearby if needed. The study compared home births only with hospital births where women were judged sufficiently low-risk to have given birth at home had they so wished.

At the end of last year Cathy Warwick, the head of the British Royal College of Midwives, which supports home birth, decried what she called a concerted and calculated backlash against home birth and midwife-led care, fuelled by a small number of doctors and a lot of poor research.

A definitive statistical answer to the relative perils of home and hospital births is unlikely. Randomised trials, which are the gold standard in medical research, will be tricky to impossible: women are unlikely to accept a researcher's arbitrary instruction about where they should give birth. As with many other aspects of child-rearing, birth will come down to parental disposition-whether for a hospital's bright lights and plentiful pain relief, or for the familiar comforts of home.

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Digital identities

Trolling for your soul

The price of civil online comments may be more power for Facebook



TROLLS are hard to find in the real world, but all too common in the virtual one. "Trolling"-posting wilfully inflammatory, off-topic or simply stupid remarks-plagues blogs and other online forums. A way now exists to curb such mischief, but the remedy may be worse than the disease.

Trolling is a side-effect of online anonymity. "On the internet, nobody knows you're a dog", read the caption of a 1993 cartoon in the *New Yorker*. The problem is that so many people behave like one. In one of the first academic papers on the subject Judith Donath, an internet expert at Harvard University, called the behaviour a "game about identity deception".

Often trolls are just out for the "LOLs"-the chance to "laugh out loud" at those who take their bait. But their antics at best degrade discussion and at worst bring mayhem. Naive questions from well-meaning newcomers attract irritable responses. Quiet and reasonable voices get drowned out. Trolls may commit the virtual equivalent of a physical assault. In a particularly nasty case in 2006 online bullies e-mailed photographs of a teenager's corpse, badly mutilated in a car accident, to the grieving family.

Yet trolling mostly goes unpunished. Many in the online world cherish freedom of speech and hesitate to exclude even the malign. Anonymity and pseudonymity are prized too: many online hangouts shy away from insisting on the use of real names, which tends to make people behave better. Even if a troll is kicked off an online forum, he can often simply sign up again under a different name.

At last an effective troll-busting weapon is to hand: Facebook. The world's biggest social network, which now boasts more than 500m members, insists that people use their real names. Having more than one identity, argues Mark Zuckerberg, the firm's founder, "is an example of a lack of integrity". Most Facebook members comply voluntarily because they want to deal with real friends, not fake ones.

Mr Zuckerberg wants to spread this policy elsewhere in the online world. Facebook members can increasingly use their credentials at other websites. Facebook is now offering other online firms the chance to outsource the handling of their comments, too. When users want to comment, they log into Facebook, which hosts the posts (they can also use accounts from AOL, Yahoo! and other firms).

Facebook's comment service initially failed to take off, but a new version, launched on March 1st, is already used by more than 17,000 websites. (This newspaper will soon start testing it for some online discussions.) The results seem encouraging. The quantity of comments may go down, but their quality rises. In the case of *TechCrunch*, a technology blog, the average number dropped by more than half, eliminating most of the useless comments. As an added benefit, the service generates traffic: by default the comments of Facebook users can be seen by their friends, who are then able to click through to the original webpage.

Yet the verdict is mixed. Internet purists lament that the new service spells the end of anonymity. That is a big minus if you are trying to organise protests on social-networking sites, which many in the Middle East have done. Or it can lead to self-censorship. Even *TechCrunch* has its doubts: most comments are now of the overly positive sort. Others say that by using the comment service, websites in practice hand over their most valuable asset: the community of users.

The move also raises fears. Facebook has already accumulated a remarkable amount of data-and not just about its users' online, but their real-world activities: messages, pictures, calendars, likes and dislikes, even shopping. Now it is adding their opinions too. The result is a giant step towards Facebook becoming, in effect, the repository of identity for much of the internet. If governments did that, the result would be outrage. Is the same clout exercised by a private firm any less worrying? *The Onion*, a satirical website, recently called Facebook a "massive online surveillance program run by the CIA" and Mr Zuckerberg a secret agent with the code name "the Overlord". LOL? Perhaps not.

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Japan and the global supply chain

Broken links

The disruption to manufacturers worldwide from Japan's disasters will force a rethink of how they manage production



LAST year Iceland's volcanic ash disrupted air transport across Europe and gave the world's manufacturing supply chain one of its biggest tests since the advent of the low-inventory, just-in-time era. Now, Japan's quadruple disaster-earthquake, tsunami, nuclear alert and power shortages-has put the supply chain under far greater stress. Three weeks after the massive quake, the extent and likely duration of the disruption are still unclear.

There are some enlightening similarities between the shocks that manufacturers are now suffering and those that buffeted the banking system in the 2008 financial crisis. In both cases two of the biggest surprises were the unexpected connections the crisis uncovered, and the extent of the contagion. The problems began in a seemingly well-contained part of the system-subprime mortgages in the case of finance, in manufacturing's case a natural disaster in an economic backwater-but quickly spread.

Like the sudden evaporation of liquidity that the banks experienced, factories are finding that parts that had always turned up reliably have stopped coming. As with financial regulators' discovery of how poorly they understood the "shadow banking" system and arcane derivatives contracts, manufacturers are discovering how little they know about their

suppliers' suppliers and those even farther down the chain. When Lehman went bust, other banks struggled to measure their exposure because Lehman turned out to be not a single institution but a tangle of many entities. Assembly firms are now finding that their supply chain looks much the same.

Just as some financial institutions proved "too big to fail", some Japanese suppliers are now revealed to be too crucial to do without. For example, two firms, Mitsubishi Gas Chemical and Hitachi Chemical, control about 90% of the market for a specialty resin used to bond parts of microchips that go in to smartphones and other devices. Both firms' plants were damaged. The compact battery in Apple's iPods relies on a polymer made by Kureha, which holds 70% of the market, and whose factory was damaged.

Manufacturers around the world are now racing to secure supplies of the scarcest components and materials, pushing up their prices. Carmakers in Japan and America have had to scale back production. Toyota fears a scarcity of 500 rubber, plastic and electronic parts. It is not yet clear how much worse things will get as existing stocks run down. Nor can Japanese suppliers be sure yet of how soon they can get back up to speed: hundreds of aftershocks, some strong enough to disrupt production, have rumbled on since the main quake. Given the loss of a very large nuclear plant and shutdowns of others, power shortages may extend for years.

Even before the extent of the disruption becomes clear, it seems certain that Japan's disaster will have a lasting impact on how manufacturers manage their operations, says Hans-Paul Burkner, boss of the Boston Consulting Group, who was in Tokyo this week. "It is very important now to think the extreme," he says. "You have to have some buffers."

Over the past decade or so the just-in-time concept of having supplies delivered at the last minute, so as to keep inventories down, has spread down the global manufacturing chain. Now, say economists at HSBC, this chain may be fortified with "just-in-case" systems to limit the damage from disruptions.

For instance, suppliers who have near-monopolies on crucial parts and materials may be pressed to spread their production facilities geographically. Their customers may, as a precaution, also switch part of their orders to smaller rivals. Hiwin, a Taiwanese firm with 10% of the market for "linear motion guides", used in industrial machines, may gain share from customers of Japan's THK, which dominates the market with a 55% share and which faces power cuts, suggests CLSA, a stockbroker.

Assembly firms will be under the same financial pressures as before to keep their inventories of supplies down. So a new growth industry may emerge from the crisis: that of holding and maintaining essential stocks on behalf of manufacturers.

Industrial firms, having spent years becoming ever leaner in their production techniques and, in the process, making themselves more vulnerable to these sorts of supply shocks, will now have to go partly into reverse, giving up some efficiency gains to become more robust. One consolation is that their problem of "too crucial to do without" suppliers looks a lot easier to solve than the conundrum of the "too big to fail" banks.

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BP's Russian troubles

Dudley do-wrong

Bob Dudley, BP's boss, has got the oil giant into a mess over its Russian deals



Did I forget to mention something?

FEW sane foreigners would willingly walk into the merciless world of Russian business and politics and get themselves stuck between the Kremlin's bosses and the country's toughest oligarchs. Yet this is precisely what Bob Dudley, the chief executive of BP, has done as a result of a controversial $16 billion deal with Rosneft, a Russian state oil firm, to drill for oil in the icy waters of the Arctic.

To gain access to the Russian Arctic's vast reserves, BP agreed in January to swap shares with Rosneft. The Russian firm largely consists of assets expropriated from Yukos, an oil company, and the BP deal coincided with a new prison term being handed to Yukos's former shareholders, Mikhail Khodorkovsky and Platon Lebedev, who languish in jail on dubious charges.

Mr Dudley had hoped that this big deal would lift the cloud of last year's tragic rig blast and oil spill in the Gulf of Mexico. But it violated an agreement with BP's existing Russian partners in a joint venture, TNK-BP, by which BP can pursue further business in Russia only through the venture. On March 24th a Swedish tribunal blocked BP's deal with Rosneft.

The ruling does not shut BP out of Russia. However, it does leave the company at the mercy of both Igor Sechin-Russia's deputy prime minister, chairman of Rosneft and one of the country's most feared figures-and Mikhail Fridman, a wily operator who leads the consortium of Russian billionaires that owns half of TNK-BP. Both are furious with Mr Dudley.

Mr Fridman is fuming that Mr Dudley went behind his back by striking a deal with Rosneft. Vladimir Putin, the prime minister, and Mr Sechin are angry that they were not fully informed about the agreement with TNK-BP. "I met with BP's head and he did not say a word about it," said Mr Putin. Worse still, BP had assured Rosneft that it did not have any third-party obligations. At the least, it seems a woeful misjudgment on BP's part. The company says it had no idea that its deal with Rosneft would result in such a legal tussle, so it felt no need to mention the terms of its shareholder agreement with TNK-BP to its new Russian partners.

Perhaps Mr Dudley gambled that getting into bed with Rosneft would silence TNK-BP. It was his long experience of doing business in Russia that was held up as reassurance that the deal would succeed. Yet it is the second time Mr Dudley has stumbled while playing Russian politics. He was chased out of Russia in 2008 after trying to go behind Mr Fridman's back to get into bed with Gazprom, a state-controlled giant. That conflict was settled and BP pledged not to repeat its mistakes.

This time, the consequences may be much more serious for Mr Dudley and his firm. TNK-BP's Russian shareholders are now determined not to stick with the current 50-50 set-up with BP. They want to make their TNK-BP holding liquid by turning it into BP shares, or at least having an option to do so. Rosneft wants its 5% stake in BP because it helps to legitimise the break-up of Yukos.

As one of Russian business's great survivors, Mr Fridman knows he must not scupper the BP-Rosneft deal; but as a tough oligarch he will not be left out either. As long as he respects Rosneft's interests, anything else Mr Fridman does to get payback from BP will be fine by the Kremlin. "If you want to marry a new wife, you have to divorce the old one first," he says. BP (which insists that Rosneft wholly supports it) expects to be able to reach a settlement with Mr Fridman and his partners. But the divorce is likely to be costly.

Mr Fridman knows BP cannot afford to pull out of Russia, which contributes about 10% of its underlying profits, and thus will have little choice but to agree to a settlement on his terms. Judging by Mr Dudley's previous troubles in Russia, Mr Fridman and the Kremlin have plenty of means at their disposal to put pressure on BP.

All this is bad for BP. Yet it is hard to feel sorry for Mr Dudley, whose dealmaking with Rosneft has jeopardised a well-functioning joint venture which paid regular dividends. Oil companies often have to operate in difficult environments, be they the murky waters of the Gulf of Mexico or Russian politics. But in this instance BP's troubles are of its own making.

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Businesses and insurance

How to become politics-proof

Businesses can get cover against some, but not all, political upheavals

REGIME change has an awkward way of turning useful political contacts into liabilities. Just ask Ahmed Ezz, an Egyptian steel magnate and friend of Gamal Mubarak, son of the country's ousted president, when you next visit his jail cell. But businesses face political risk even in the absence of the kind of turmoil rocking the Middle East. Governments nationalise assets: in recent years, Congo has taken several mines from their private owners. They change the rules unexpectedly, making it harder to do business, as Research in Motion, the maker of the BlackBerry, found when some governments demanded access to users' messages. They can enforce the law in the most draconian fashion against firms that displease them, as Russia's Yukos found.

A survey last year by the World Bank's Multilateral Investment Guarantee Agency (MIGA) found that political risk was the biggest deterrent for investors in developing countries over the longer term, ranked ahead of economic instability and bad infrastructure. What can they do about it?

Private insurers, national export-credit agencies and multilateral bodies like MIGA offer businesses cover against political shocks. But which firms they will insure, and on what terms, varies. National agencies, such as America's Overseas Private Investment Corporation, tend to sell cover only to companies from their home country. Private insurers can be more risk-averse than multilateral agencies.

Not all risks are insurable. Cover is available for the sudden imposition of currency controls, expropriations, conflicts and terrorism, and for governments failing to keep their part of an investment deal, such as supplying a new factory with electricity. But legitimate policy changes (tax rises, say, or stricter environmental rules) cannot be covered, because of the insurer's slim chances of recovering anything from the government concerned.

The demand for political-risk insurance slumped during the financial crisis, as companies made fewer investments. Members of the Berne Union, the largest group of providers of such cover, wrote only $36 billion of new policies in 2009, down 38% on the previous year. But business rebounded sharply in 2010 when foreign investment into developing countries recovered. As regimes totter across the Middle East, those who offer cover against nasty political surprises look set to be even busier this year.

Technology firms and health care

Heads in the cloud

Digitising America's health records could be a huge business. Will it?



About time we caught up with the digital age, eh, nurse?

ALTHOUGH most rich countries, and some leapfrogging poor ones like India, are adopting electronic medical records, doctors' surgeries in America still mostly do things the old-fashioned way. Determined to change this, the Obama administration has passed laws that will flood the health-care industry with $28 billion in subsidies over the next few years to persuade doctors and hospitals to go digital. Aneesh Chopra, the White House's chief technology officer, says the promise of this money is already boosting investment. The big tech firms have convinced themselves that the health industry will be the next to embrace cloud computing.

In principle, it makes sense to put health records into the "cloud"; the factories for mass-producing digital services that are the IT industry's next big thing should be ideal places to store, maintain and process patient and clinical data. Doctors' surgeries, hospitals and patients would all be able to retrieve and manipulate the data remotely, over the internet. Bridget van Kralingen, a senior executive at IBM, sees health care providing maybe one-tenth of the $7 billion in revenues her firm sees from cloud computing by 2015.

But some scepticism is in order. A scheme to computerise the medical records of every patient in England has turned into a spectacularly expensive fiasco. Gartner, a technology consultancy, observes in a recent report that tech firms are rushing to rebrand their products with the latest "cloud" buzzword, "whether they actually are cloud offerings or not." The danger is that America's health services have foisted upon them whatever the industry has to sell, rather than what is needed.

Another reason not to get too excited is the reflexive conservatism and technophobia of medical folk. Jonathan Bush, the boss of athenahealth, which uses the cloud to digitise health firms' administrative systems, calls the medical industry "anti-innovation". He reckons the average American doctors' surgery still handles 1,000 faxes a day.

Keeping patient records secure and private is another big concern. But PWC, a consultancy, says some firms are finding solutions to this, developing secure cloud-computing systems that can be tailored to different countries' laws on the privacy of health data.

The best reason to set aside such doubts and hope that cloud computing will take off in health care comes from the bottom up. Richard Escue of RehabCare, a chain of rehabilitation centres, was sceptical at first, but found that the "unstoppable" popularity of iPhones and other smart mobile devices among staff-and their demands to be able to send and receive health data on them-forced his IT team to embrace a cloud-connected set of mobile devices.

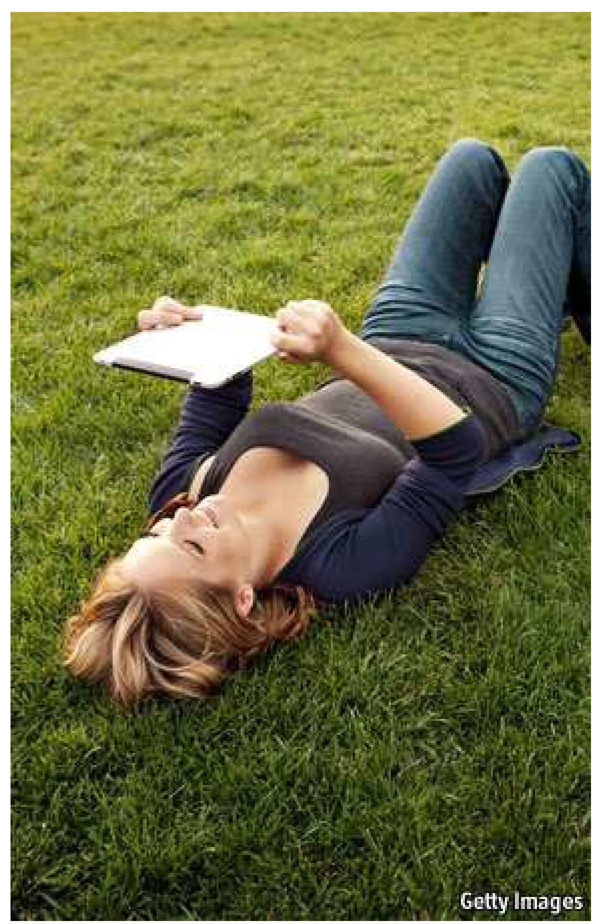
Stephen Herrod of VMware, a big cloud-computing firm, says the surging popularity of smartphones, tablets and other hand-held gadgets plus the government push for digitisation add up to an unstoppable force that will help firms like his overcome all the obstacles. If so, the slow, inefficient health-care industry will enjoy faster transmission and smarter analysis of data, and better diagnoses. Doctors, nurses and, above all, patients, will benefit.

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Online media distribution

Raging bulls

Music and television firms fret about their distributors' new business models



New ways to enjoy songs and shows

RELATIONS between the companies that create media products and those that distribute them have long been poor. But perennial arguments about the price that ought to be paid for content are turning uglier as digital distribution transforms the media landscape. Like ageing boxers, big media firms have twice climbed into the ring to slug it out with high-tech outfits that seem to be building new business models with their property. In both cases the media firms are morally right. Yet both encounters have left them bruised.

Time Warner Cable (TWC) was, until a couple of years ago, a part of big-media veteran Time Warner; now it is in the other corner of the ring, keen to prove its tech chops. On March 15th TWC launched a feisty little iPad application that lets its customers watch some of the television channels they subscribe to on their tablet computers. Customers were so

enthusiastic that the system promptly crashed. Many media firms were not. They say TWC has no right to redistribute their content without permission, even within a subscriber's home, and complain that iPad viewings do not count towards a programme's ratings. Cease-and-desist letters have been sent.

The second challenger is a heavyweight. On March 29th Amazon launched a digital-locker service for media. This will let the e-retailer's American customers upload music from CDs or digital tracks (not just ones bought from Amazon's store) to remote servers. They can then play their collections through a variety of devices-with the notable exception of some sold by Apple, the firm that dominates the music-download market. As with digital books, Amazon is trying to create a "buy once, consume anywhere" service.

Sony Music complains that Amazon does not have the right to stream music. Like TWC, the e-retailer is pushing ahead without the content owners' permission in the hope that the public will come to regard its service as an inalienable right. For music firms that have been quietly negotiating with Apple and Google, which want to build locker services of their own, Amazon's tactics are below the belt.

Even so, are the record labels wise to fight back? Their position is a tricky one. Digital music downloads, which had been growing quickly, stalled last year in America and Japan, according to the IFPI, a trade group. Piracy is one reason; another is that the limitations of digital downloading are becoming clear. Mark Mulligan of Forrester, a research firm, says music fans now expect to be able to play their collections of tunes on all sorts of devices. Some are finding, frustratingly, that they cannot. Amazon's new service is designed to solve that problem.

Anything that makes digital downloading more appealing should be good news for the record labels. They should also welcome strong competition for Apple, which has held sway over digital music for a decade. On the other hand, collapsing CD purchases are making them desperate for new sources of revenue. If there is going to be money in digital-locker services, they want a cut. Some have stayed quiet about Amazon's move so far because they regard it as the foundation of a more ambitious music service that will provide new revenues for them. It may be, for example, that consumers will be offered the chance to listen to each other's music for a fee.

If the record companies are understandably torn about how to respond to a new distribution model, the television firms are simply wrong. It is hard to imagine a less disruptive innovation than TWC's iPad app. By letting people who have already paid for a programme watch it on another screen, the app raises the value of a television subscription and strengthens the pay-TV ecosystem on which media firms depend. They may win their fight, but it might have been better not to enter the ring.

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The tobacco industry

The last gasp

For Big Tobacco, South-East Asia is the final frontier

STRICT regulation and the success of anti-smoking campaigns continue to hit tobacco firms' revenues in rich countries. In the biggest developing countries-China and India-governments are keen to protect local firms from Western cigarette-makers. That leaves Big Tobacco with few large markets that have growth potential and a relative lack of regulation. And of these, South-East Asia looks the most promising over the coming decade.

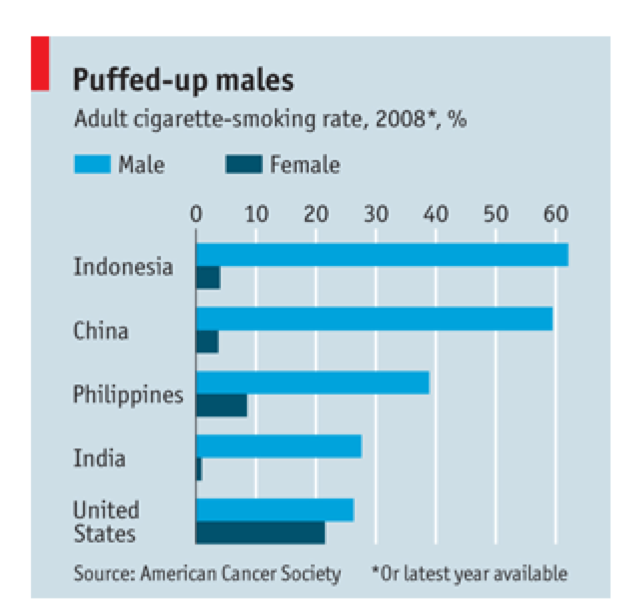
Within this region, Indonesia (population 238m) and the Philippines (about 96m) are the golden geese. Indonesia, one of the world's least regulated markets, is one of few Asian countries not to have ratified the World Health Organisation's treaty on tobacco control. Cigarette advertising is rampant. One in four children aged 13-15 smokes. Last year, a YouTube video of a chain-smoking Indonesian two-year-old prompted outrage among health-lobby groups in the West.

Growing and selling tobacco contributes perhaps 10% of the Indonesian government's revenues and provides millions of jobs. Roger Quarles, president of the International Tobacco Growers' Association, points out that one of the government's

main goals is that "those people stay employed, even if it's at low education levels," in part to avoid public disorder. So, Mr Quarles reckons, a crackdown on the industry is highly unlikely in Indonesia.

The biggest Western firms are diving in. Philip Morris International (PMI) bought Indonesia's Sampoerna for $5 billion in 2005, and now controls 30% of the market; the firm says it is "optimistic" about its prospects in the region. British American Tobacco bought an 85% stake in Bentoel for nearly $500m in 2009. Both companies saw sales volumes increase in Indonesia last year-mainly for *kretek* clove cigarettes, which account for over 90% of the Indonesian market. A data-analysis firm in Jakarta says, on condition of anonymity for itself and its client, that a tobacco giant hired it to identify and approach Indonesian "influencers" on Facebook, Twitter and other social media, so they could be offered incentives to plug its brands.

The Philippines also combines growth with light regulation. Last year PMI, already a big investor in the country, formed a joint venture with Fortune Tobacco, which makes cigarettes for low- to middle-income Filipinos. The two companies now have 90% of a $1.7 billion market, in what local news media termed a "kiss of death" to Filipinos.



Tobacco firms see growth potential in the region's low rate of women smokers (see chart). Across South-East Asia fewer than one in ten women smoke, compared with about 40-70% of men. This is a much bigger gap than in Africa and Latin America, says Vikram Pathania of the London School of Economics. A 2009 study across seven countries, by the South-East Asia Tobacco Control Alliance, found that smoking rates were rising significantly among under-16 girls in the Philippines, Malaysia, Indonesia and Vietnam. In Indonesia and the Philippines cigarettes are sold in small "lipstick packs" that seek to capture the glamour of high-end cosmetics.

Countries struggling with widespread poverty and unemployment can be reluctant to clamp down on an industry that provides so much revenue and so many jobs. However, they are also, slowly, coming to recognise the health-care costs associated with smoking, and the human suffering from tobacco-related disease. In many parts of the world the argument is swinging decisively in favour of the anti-smokers. So far, such lobby groups are relatively weak in South-East Asia, whereas Big Tobacco still has lots of friends.

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Schumpeter

I, robot-manager

Management thinkers need to ponder more about homo-robo relations



ROBOTS have been the stuff of science fiction for so long that it is surprisingly hard to see them as the stuff of management fact. A Czech playwright, Karel Capek, gave them their name in 1920 (from the Slavonic word for "work"). An American writer, Isaac Asimov, confronted them with their most memorable dilemmas. Hollywood turned them into superheroes and supervillains. When some film critics drew up lists of Hollywood's 50 greatest good guys and 50 greatest baddies, the only character to appear on both lists was a robot, the Terminator.

It is time for management thinkers to catch up with science-fiction writers. Robots have been doing menial jobs on production lines since the 1960s. The world already has more than 1m industrial robots. There is now an acceleration in the rates at which they are becoming both cleverer and cheaper: an explosive combination. Robots are learning to interact with the world around them. Their ability to see things is getting ever closer to that of humans, as is their capacity to ingest information and act on it. Tomorrow's robots will increasingly take on delicate, complex tasks. And instead of being imprisoned in cages to stop them colliding with people and machines, they will be free to wander.

America's armed forces have blazed a trail here. They now have no fewer than 12,000 robots serving in their ranks. Peter Singer, of the Brookings Institution, a think-tank, says mankind's 5,000-year monopoly on the fighting of war is breaking down. Recent additions to the battlefield include tiny "insects" that perform reconnaissance missions and giant "dogs" to terrify foes. The Pentagon is also working on the EATR, a robot that fuels itself by eating whatever biomass it finds around it.

But the civilian world cannot be far behind. Who better to unclog sewers or suck up nuclear waste than these remarkable machines? The Japanese have made surprisingly little use of robots to clear up after the recent earthquake, given their world leadership in this area. They say that they had the wrong sort of robots in the wrong places. But they have issued a global call for robotic assistance and are likely to put more robots to work shortly.

As robots advance into the service industries they are starting to look less like machines and more like living creatures. The Paro (made by AIST, a Japanese research agency) is shaped like a baby seal and responds to attention. Honda's robot, ASIMO, is humanoid and can walk, talk and respond to commands. Roxxxy, an American-made "sex robot", can be programmed to appeal to all preferences, and (unlike many a real-life spouse) listens to its partner to try to improve its performance.

Until now executives have largely ignored robots, regarding them as an engineering rather than a management problem. This cannot go on: robots are becoming too powerful and ubiquitous. Companies may need to rethink their strategies as they gain access to these new sorts of workers. Do they really need to outsource production to China, for example, when they have clever machines that work ceaselessly without pay? They certainly need to rethink their human-resources policies-starting by questioning whether they should have departments devoted to purely human resources.

The first issue is how to manage the robots themselves. Asimov laid down the basic rule in 1942: no robot should harm a human. This rule has been reinforced by recent technological improvements: robots are now much more sensitive to their

surroundings and can be instructed to avoid hitting people. But the Pentagon's plans make all this a bit more complicated: many of its robots will be, in essence, killing machines.

A second question is how to manage the homo side of homo-robo relations. Workers have always worried that new technologies will take away their livelihoods, ever since the original Luddites' fears about mechanised looms. That worry takes on a particularly intense form when the machines come with a human face: Capek's play that gave robots their name depicted a world in which they initially brought lots of benefits but eventually led to mass unemployment and discontent. Now, the arrival of increasingly humanoid automatons in workplaces, in an era of high unemployment, is bound to provoke a reaction.

Loving the alien

So, companies will need to work hard to persuade workers that robots are productivity-enhancers, not just job-eating aliens. They need to show employees that the robot sitting alongside them can be more of a helpmate than a threat. Audi has been particularly successful in introducing industrial robots because the carmaker asked workers to identify areas where robots could improve performance and then gave those workers jobs overseeing the robots. Employers also need to explain that robots can help preserve manufacturing jobs in the rich world: one reason why Germany has lost fewer such jobs than Britain is that it has five times as many robots for every 10,000 workers.

These two principles-don't let robots hurt or frighten people-are relatively simple. Robot scientists are tackling more complicated problems as robots become more sophisticated. They are keen to avoid hierarchies among rescue-robots (because the loss of the leader would render the rest redundant). So they are using game theory to make sure the robots can communicate with each other in egalitarian ways. They are keen to avoid duplication between robots and their human handlers. So they are producing more complicated mathematical formulae in order that robots can constantly adjust themselves to human intentions. This suggests that the world could be on the verge of a great management revolution: making robots behave like humans rather than the 20th century's preferred option, making humans behave like robots.

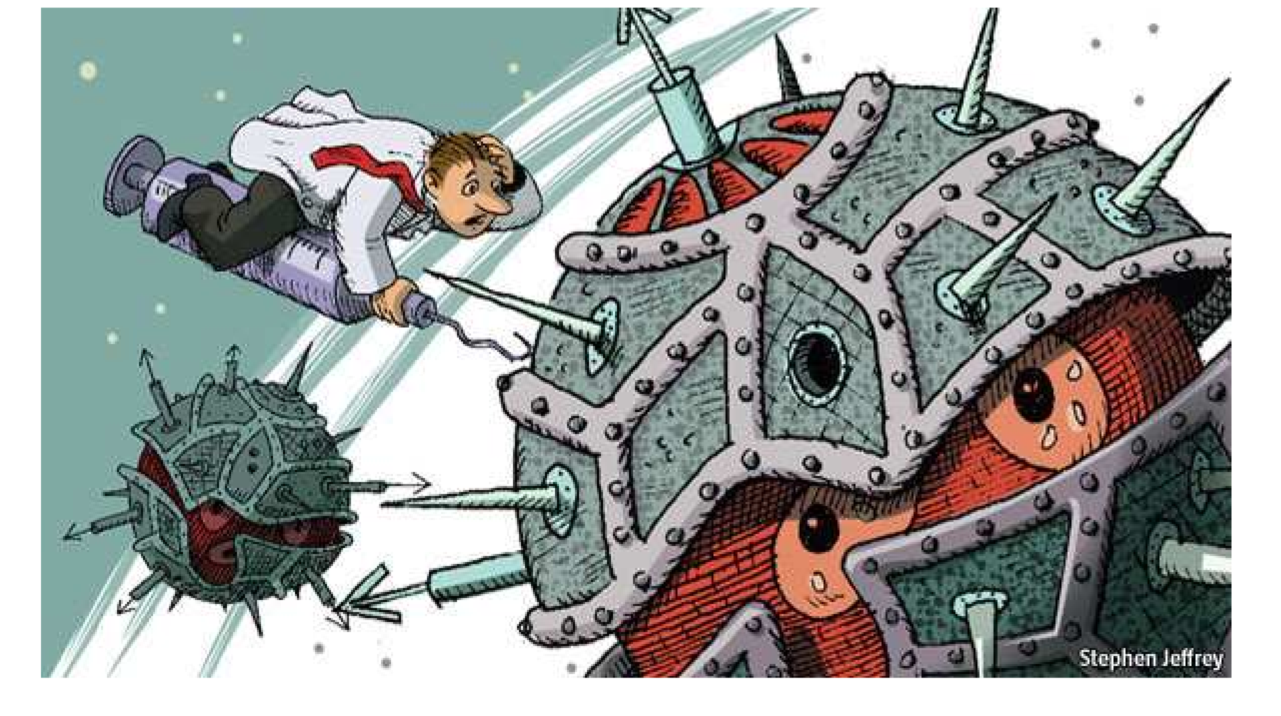
Economist.com/blogs/schumpeter

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Resistance to antibiotics

The spread of superbugs

What can be done about the rising risk of antibiotic resistance?



ON DECEMBER 11th 1945, at the end of his Nobel lecture, Alexander Fleming sounded a warning. Fleming's chance observation of the antibiotic effects of a mould called *Penicillium* on one of his bacterial cultures had inspired his co-laureates, Howard Florey and Ernst Chain, two researchers based in Oxford, to extract the mould's active principal and turn it into the miracle cure now known as penicillin. But Fleming could already see the future of antibiotic misuse. "There is the danger", he said, "that the ignorant man may easily underdose himself and by exposing his microbes to non-lethal quantities of the drug make them resistant."

Penicillin and the other antibiotics that its discovery prompted stand alongside vaccination as the greatest inventions of medical science. Yet Fleming's warning has always haunted them. Antibiotic resistance has now become a costly and dangerous problem. Some people fear there may be worse to come: that a strain of resistant bacterium might start an epidemic for which no treatment was available. Yet despite Fleming's warning and despite a fair understanding of the causes of resistance and how they could be dealt with, dealing with them has proved elusive. Convenience, laziness, perverse financial incentives and sheer bad luck have conspired to nullify almost every attempt to stop the emergence of resistance.

There are good reasons to hope that the extreme threat of a resistant epidemic will never come to pass-not least that 65 years of routine antibiotic use have failed to prompt one. Even so, the lesser problems of resistance continue to gnaw away at medicine, hurting people and diverting resources from more productive uses, often in the countries that can least afford it.

Irresistible

Convenience and laziness top the list of causes of antibiotic resistance. That is because those who misuse these drugs mostly do not pay the cost. Antibiotics work against bacteria, not viruses, yet patients who press their doctors to prescribe them for viral infections such as colds or influenza are seldom harmed by their self-indulgence. Nor are the doctors who write useless prescriptions in order to rid their surgeries of such hypochondriacs. The hypochondriacs can, though, act as breeding grounds for resistant bacteria that may infect others. Even when the drug has been correctly prescribed, those who fail to finish the course are similarly guilty of promoting resistance. In some parts of the world, even prescription is unnecessary. Many antibiotics are bought over the counter, with neither diagnosis nor proper recommendations for use, multiplying still further the number of human reaction vessels from which resistance can emerge.

Nor is the problem confined to people. Analysing official figures, Louise Slaughter, an American congresswoman who is also a microbiologist, calculates that four-fifths of the antibiotics used in America are given to livestock, often to get perfectly healthy animals to grow faster. That is convenient, because it produces cheaper meat, but it creates yet more opportunities for bugs to evolve resistance.

All this matters because antibiotic resistance has both medical and financial costs. It causes longer and more serious illnesses, lengthening people's stays in hospital and complicating their treatment. Sometimes people die unnecessarily. In one study, which sampled almost 1,400 patients at Cook County hospital in Chicago, researchers found resistant strains of

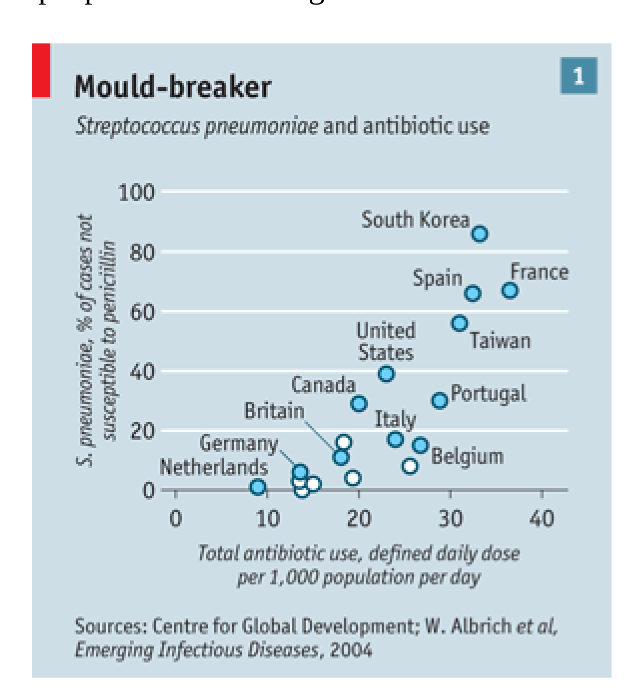
bacteria infecting 188 people, 12 of whom died because they could not be treated adequately. At the moment, resistant bacteria threaten mostly children, the old, cancer patients and the chronically ill (especially those infected with HIV). However, there could be worse to come. Nearly 450,000 new cases of multidrug-resistant tuberculosis are recorded each year; one-third of these people die from the disease. More than a quarter of new cases of TB identified recently in parts of Russia were of this troublesome kind.

The price in money, too, is high. On the basis of the Cook County study the Alliance for the Prudent Use of Antibiotics, a non-profit group, calculates that resistance to antibiotics costs America alone between $17 billion and $26 billion a year-perhaps 1% of the country's vast spending on health care.

America is rich, and can afford this. Poor countries are not as lucky. And a perverse calculus puts them at a particular disadvantage. The poorer the country, the larger the share of its health-care budget typically absorbed by the cost of drugs. As a report last year by the Centre for Global Development, an American think-tank, pointed out, resistance often increases the drug bill, because patients are forced to turn from cheap, widely used drugs (whose very ubiquity encourages the evolution of resistant strains) to dearer alternatives. That imposes a disproportionate burden on poor countries. For the cost of treating one person with extensively drug-resistant TB, for example, a hospital could treat 200 with the less lethal variety.

Action, not panic

Broadly, there are three possible responses to this state of affairs. One is to do nothing, treating the various problems created by resistance as acceptable costs when set against drugs' much greater benefits. Here, a sense of history helps. Before penicillin-that is, before the mid-1940s-it was possible for a perfectly healthy individual to die of septicaemia from a casual, everyday cut. Many other bacterial infections, most notably TB, were similarly routine killers. The Shakespearean curse, "a plague on both your houses", would have had real resonance then. But antibiotics and vaccines have turned it into an anachronism. Worrying about even 150,000 TB deaths a year, compared with the millions who used to die, can thus sound like a counsel of perfection. Of course, it would be better if those deaths did not happen. But restricting the availability of antibiotics, especially in poor countries where obtaining a doctor's prescription can be costly and time-consuming, would also cause people to die who might have lived.



There are basic biological reasons, too, for thinking that resistance may be self-limiting. For a bug, being resistant is costly. It has to adjust its physiology, and resistance often works by making enzymes that degrade the drug, or by producing extra copies of proteins that pump the drug out of the bacterial cell, both of which require a lot of energy. Some creatures cannot seem to manage the trick at all-at least for certain drugs. One species of *Streptococcus*, called *S. pyogenese*, has never been seen to throw up a penicillin-resistant strain, whereas another, *S. pneumoniae*, is frequently not susceptible to that drug (see chart 1). In these circumstances, the theory goes, a resistant organism is less a superbug and more a cosseted creature that can beat the competition only in the unfair arena of a hospital or a clinic. Another reason, then, for accepting the status quo.

Unfortunately, this comforting argument may not be wholly true. In the *Lancet* in 2007 Herman Goossens, a microbiologist at the University of Antwerp, laid out the results of a trial designed to investigate the idea. His team divided healthy volunteers into three groups. To one group they gave an antibiotic called azithromycin. To another they gave a second, clarithromycin. To the third they gave a placebo. They then followed the progress of the *Streptococci* in each volunteer's throat.

As expected, those who were taking the placebo showed no signs of drug-resistant strains of *Streptococcus* at any time during the study. Also as expected, the *Streptococci* in those taking the antibiotics showed sharply elevated levels of resistance within days. What was surprising-and worrying for those who think that resistant bacteria will do better than the non-resistant wild type only while the selective pressure remains on-was that those populations of *Streptococci* which acquired resistance retained it for over a year.

The evolutionary logic behind the argument that resistant organisms are inferior is seductive. But in case it is wrong, and because resistance clearly is a problem anyway-even if a vastly smaller one than not having antibiotics at all-the second response is to try to rein in overuse.

According to an article by James Hughes of Emory University, in Atlanta, Georgia, which was published in February by the *Journal of the American Medical Association*, as much as 50% of antibiotic use is unnecessary or inappropriate. Overuse, misuse, improper dosing and the use of substandard or diluted medicines all contribute to the rise of resistance. But so too do weak health-care systems and poor or unenforced regulations. Unless a strict code of practice forbids overuse, and systems are in place to monitor their behaviour, doctors have every incentive to treat the patient in front of them-not worry about the theoretical patient a decade hence who may suffer from the consequences of overuse of antibiotics.

Reining in overuse will be difficult and will require governments, companies and health-care providers to act in concert. It might even require patients to be just a bit less selfish. Aid agencies and charities dispensing drugs freely in poor countries should ask themselves whether safeguards and the education of patients for proper use of powerful medicines are good enough, and if not what can be done to improve them. Governments, such as China's, that link financial reimbursement to the amount of drugs dispensed must abolish that perverse practice.

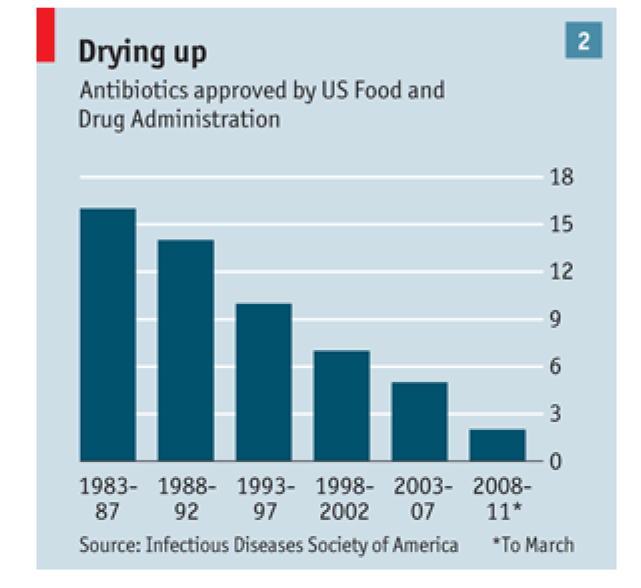
Regulators need to do better in their monitoring and public-health surveillance, so that counterfeit or substandard drugs (containing less than the proper dose of active ingredients, for example) are not given to unwitting patients. More could also be done to encourage the development of rapid and portable diagnostics-a mushrooming field-so that antibiotics are popped only when they are useful.

Ultimately, though, the relationship between doctor and patient is paramount. Doctors need to be sterner, and patients need to accept that antibiotics are not always an appropriate prescription. Medical associations can put in place more rigorous training and drug-dispensing protocols-insisting, for example, that doctors check that patients have completed their courses of antibiotics.

All of this would help, but much of it goes against the grain of human nature. Ms Slaughter has another proposal. She has introduced into Congress a bill that would limit the agricultural use of antibiotics.

Ignorant humans, smart microbes

There is, however, a third approach to the problem of resistance. This is to make new antibiotics, to which bacteria will not, at first, be resistant. Perhaps surprisingly, many of the best weapons in the armoury are still decades-old drugs that would have been familiar to Fleming and his contemporaries. Here, it is the last two causes on the list that are to blame: perverse financial incentives and bad luck.



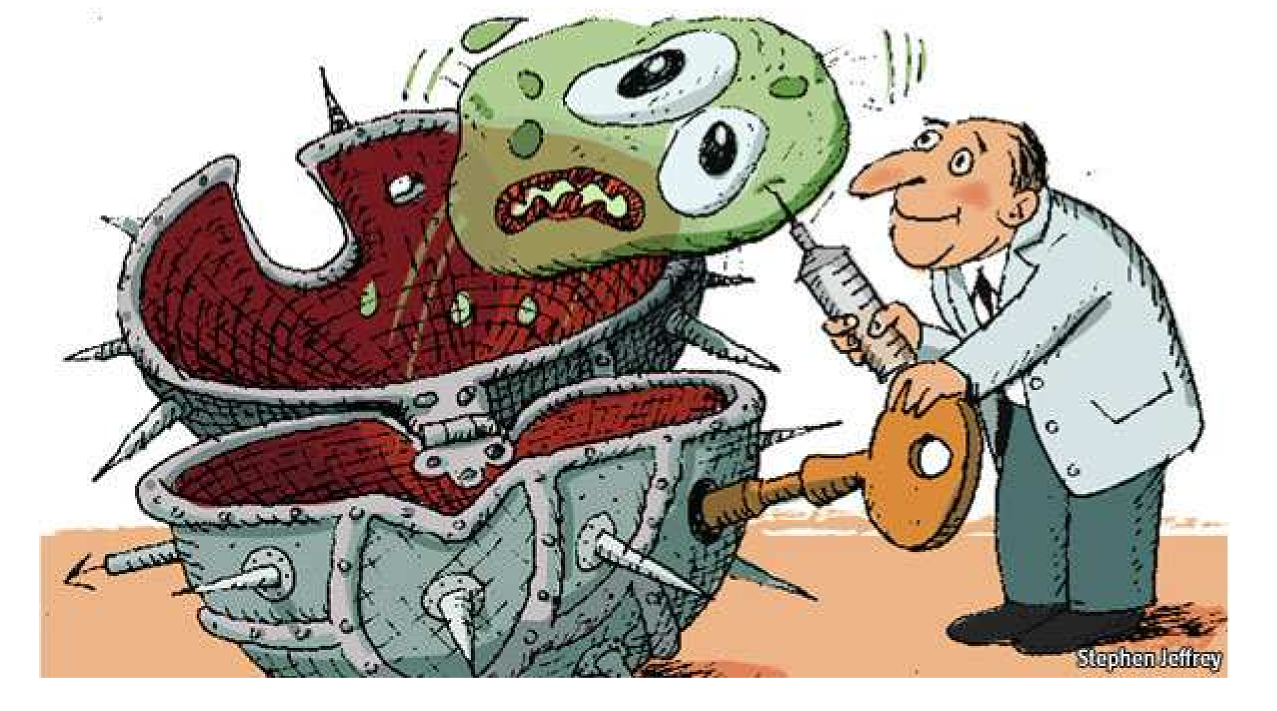
April 7th each year is marked by the World Health Organisation as World Health Day. Like all such days of action, it must have a slogan. This year the theme is resistance to antibiotics and the slogan is "No action today, no cure tomorrow". Action-or, rather, success-has been sadly lacking in the recent past. Between 1983 and 1987, 16 new antibiotics won approval from America's Food and Drug Administration. Since 2003 only seven have done so (see chart 2). Moreover, some of the details are even worse than that. Drugs firms have not, for instance, come up with a breakthrough TB drug in many years, although some new ones look promising.

There are several reasons for this. One is that the early researchers were lucky. Just as the modern pharmaceutical industry began with the development of aspirin, a drug that has never been bettered for many applications, so penicillin and its contemporaries-easily discovered because they have strong effects-are not easy to improve on.

A second and unpredicted problem is that modern science has failed to help. Drugmakers have poured huge sums into applying genomics and proteomics (the study of how proteins behave) to the problem. It has not worked. Despite the millions spent, argued David Payne of GlaxoSmithKline, a big British drugs company, in a paper in *Nature* a few years ago, his firm and others came up empty-handed: "It was clearly very hard to find targets, so we stopped." Other drug-research chiefs share his frustration. Mark Fishman of Novartis, a Swiss company, says that after a similar lack of breakthroughs in genomics "we've gone back to the brute-force method of screening millions of candidates that kill a bug-and then evaluating them for safety in humans."

There are signs that the pipeline at the larger firms is running dry. In February Pfizer, the world's biggest drug company, announced deep cuts in its research budget. Among the programmes affected is the company's antibiotics effort. Pfizer insists that it is not being axed, but merely shifted from Western laboratories to China.

Bad luck can befall anyone. The other reason for the lack of new antibiotics, though, is less forgivable-if understandable. Few in the industry will admit it in public, but investing in antibiotics is not that attractive. Existing drugs, resistance aside, work well enough. Since resistant infections are still a small proportion of the total, although serious for those who suffer them, the market for drugs that overcome them is small, too. It is restricted further by the fact that much of the resistance problem is in poor countries that cannot afford flashy, new drugs. Moreover, successful treatment with antibiotics effects a cure. Repeat prescriptions are unnecessary. That is good for the patient, but bad for the drug company.



None of this means that antibiotic research has been abandoned completely. Like some other areas of drug research, though, it is increasingly the province of boutique biotechnology firms, rather than the huge emporia that are traditional pharmaceutical companies. For example, Theravance, based near San Francisco, has come up with an antibiotic that treats skin infections, including some caused by MRSA, an especially nasty type of *Staphylococcus* that is resistant to many antibiotics. Cubist Pharmaceuticals, of Lexington, Massachusetts, took a chance on another antibiotic that attacks MRSA. Daptomycin, the drug in question, had already been tested and rejected by one of the big boys, Eli Lilly. The company's researchers found that the drug caused muscle damage and recommended dropping it. Cubist's researchers, however, worked out how to adjust the dose to deal with this side-effect. Daptomycin is now a commercial success.

Such success is the exception rather than the rule. In the hope of changing this, the Infectious Diseases Society of America (IDSA) has put forward its "10x20" plan, which calls for the development of ten new antibiotics by 2020. The IDSA proposes financial incentives, such as tax credits, guaranteed markets and prizes, to encourage investment in research and development. It also argues that new drugs that attack especially problematic diseases should get extra patent protection.

A tragedy of the commons

A big part of the trouble is that the gains from the overuse of antibiotics are private, whereas the losses are public. Problems such as these are rarely soluble without outside intervention. Ramanan Laxminarayan of Princeton University, who has been thinking for many years about how to deal with the question of resistance, suggests the answer is a mixture of incentives and scourges. Prize funds, or guaranteed-purchase arrangements for new drugs and the rapid-diagnostics systems that would allow them to be deployed appropriately, would help overcome the financial problem of antibiotics being cures, rather than just treatments. Stricter dispensing guidelines for doctors and pharmacists might help deal with the moral hazard of overtreatment.

A bit of realism would be good, too. Derrick Crook, a consultant microbiologist at Oxford, where Florey and Chain once worked, observes, "It is hard to massively restrict the use of antimicrobials when they are doing good. It is possible that the enormous use in Asia is a good thing for a short time in a given country." That, combined with ignorance about precisely how much the unnecessary use of antibiotics contributes to increasing resistance, makes restriction highly controversial.

Tim Peto, a colleague of Dr Crook's at Oxford, though sceptical of the idea that resistance might bring about a catastrophe, also notes that much of modern surgery relies on the risk of infection remaining low. At the moment, it is close to zero. If resistant strains raise it to even 5%, let alone 10%, a lot of orthopaedic surgery, cataract replacements and other discretionary but life-enhancing procedures would simply stop. That would not be the end of the world, but it would be a step backwards. And it would be a shame if it had been caused by a failure to take proper notice of a warning, all those years ago, sounded by one of the men whose legacy would thus be squandered.

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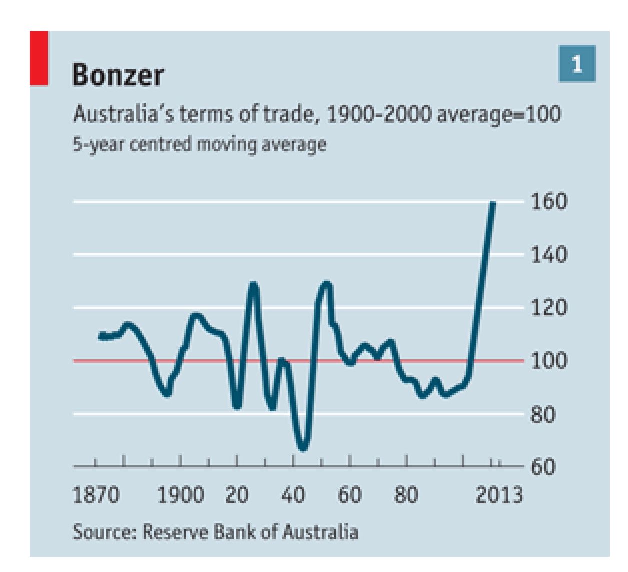
Petri-dish economies

Everybody needs good neighbours

In the first of a series on economies that exemplify global trends, we look at Australia's commodity boom



AN 1838 account of Port Adelaide in South Australia described it as Port Misery, unsurpassed in "everything that is wretched and inconvenient." That seems like a long time ago. The port is now full of the things Australia grows and the things it digs up. A bumper crop waits in the port's grain silos. Mineral sands, such as zircon, sit under a tarpaulin. Iron ore, set to become Australia's biggest export, fills scores of blue containers on the wharf side.



Five years ago a shipload of iron ore bought 2,200 flatscreen TVs, says Glenn Stevens, governor of the Reserve Bank of Australia (RBA). Now it buys 22,000. The terms of Australia's trade-the price of its exports, relative to the cost of its imports-have improved by 42% since 2004. Commodity booms have come and gone in Australia's history but no boom this strong has lasted this long (see chart 1).

Over the coming weeks, *The Economist* will profile several economies at the centre of wider global trends. The first is Australia, a bellwether for other rich commodity exporters such as Norway, where the terms of trade have improved by 38% since 2004, Canada and New Zealand.

How long will the commodity boom last? Demand, especially in China and India, should continue to strengthen as these countries require more steel, food and fuel. However, some of that demand may be unsustainable, argues Warwick McKibbin, an outside member of the RBA's rate-setting board. Policymakers in some emerging economies have been too reluctant to tighten monetary policy in advance of America's Federal Reserve, he points out. This monetary ease showed up quickly in flexible commodity prices, but has yet to feed through into the price of other goods, such as manufactures, many of which Australia imports. When these stickier prices eventually rise, Australia's terms of trade will deteriorate, even if they do not go back to 2003-04 levels.

The other blade of the scissors is supply. Australia is investing heavily in new mines, quarries and gas fields. And it is not alone. "There is no shortage of coal and iron ore around the world," says Chris Richardson of Deloitte Access Economics in Canberra. With prices so high, miners will eventually unearth it. "All the more reason to make hay while the sun shines."



As Australia rushes to make hay, some worry that it will forget how to make everything else-an antipodean version of "Dutch disease", in which a natural-resources boom boosts currencies and hurts manufacturing exports. In March the Australian Manufacturing Workers' Union launched "Manufacturing: Australia's Future", a campaign demanding R&D incentives, more apprenticeships, and "buy Australian" requirements for government projects. In a February survey of manufacturing chief executives, 93% said their exports cannot compete when the Australian dollar buys more than $1. On March 31st, it bought $1.033 (see chart 2).

A strong currency is, however, necessary to keep inflation in check. As prices rise quickly in Australia's booming industries and regions, the RBA can meet its inflation target only if prices elsewhere fall. Over the past 18 months the RBA has raised its key interest rate by 1.75 percentage points. These hikes, according to Joaquin Vespignani of Barclays Capital, have no effect on the mining industries, which sell and borrow abroad. Higher rates and a stronger currency do, however, hurt firms in manufacturing and construction, as well as states, such as Victoria and New South Wales, where these sectors loom.

In principle the RBA could change its inflation target, ignoring prices in the mining state of Western Australia and perhaps the Northern Territory. One outside economist even floated the idea with the RBA. "They just started talking about cricket," he said.

One reason may be that Australia is close to full employment. The jobless rate is 5% and projected to fall. In the past firms would import labour. But Australia's economic recovery has coincided with an ill-timed tightening of immigration policy: it admitted 36% fewer net newcomers in the year to September 2010 compared with the previous year. If the country is fully employed, its boom industries cannot grow unless other industries shrink. No tinkering with monetary policy will change that.

Australia could bring some relief to squeezed exporters by saving, not spending, the proceeds of the boom. That would reduce the inflationary pressure at home, resulting in lower interest rates and a cheaper exchange rate. Households are doing their bit, saving 9.7% of their disposable income compared with less than zero in 2004. The government is also tightening its belt, albeit more gingerly. Having run a budget deficit of 4.4% of GDP in the last fiscal year, it expects a surplus in the fiscal year ending on June 30th 2013, including the proceeds from a mining tax.

Should it tighten its belt faster? In Chile a fiscal law obliges the government to run budget surpluses whenever the economy is at full employment and the copper price is above its long-run equilibrium, as estimated by an independent panel. A similar rule in Australia would imply a budget surplus of 2% this year, argues Mr McKibbin.

Chile's government adds to a "stabilisation fund" in fat years, and withdraws from it in lean. Australia has its own Future Fund, where it sets aside money to pay for the pensions of public-sector workers. But Mr McKibbin is not alone in thinking that Australia should have its own sovereign-wealth fund to invest money overseas, like Norway's huge fund.

Should the government do more than get out of the way of the boom? One traditional fix is tariffs and subsidies, which can offset an uncompetitive exchange rate. The government recently imposed fresh anti-dumping duties on Chinese imports of sodium bicarbonate, for example, at the request of Penrice Soda Holdings, Australia's sole producer of soda-ash crystals, which appear in everything from animal feed to antacids. But Australia-a small, open economy-has learnt to reserve such measures only for a handful of egregious cases.

Rather than seek government help, firms are encouraged to raise productivity and improve quality. At Penrice's plant in Osborne, for example, the workforce has shrunk even as their qualifications have risen. The plant's 200 workers must now be computer-literate, although their collars are not yet entirely white. One worker gives a misbehaving funnel a good whack: "you can never stop an operator using a sledgehammer," a plant manager says.

Even if the strong dollar hurts Penrice's profits, the mining boom does have some benefits: the company sells some of its soda ash to miners, such as Uranium One, which will mine the metal in South Australia and export it, probably to Japan and elsewhere. Penrice's neatly packed, granular bicarbonate still appeals to fastidious customers in Japan, where it puts the fizz in bath salts. It even sells its pharmaceutical-grade crystals to China, for use in dialysis packs.

Imports, especially of capital goods, also play their part in Australia's exporting success. In the plant's control room, Penrice's workers watch crystals form on the outside of a vacuum-drum filter. Where did they buy the filter? China, of course. "You get more bang from your buck," the plant manager explains.

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Buttonwood

Liquidity and lottery tickets

Why investors overpay for certain assets



THOSE who occasionally bet on horse races like the Kentucky Derby or the Grand National have a tendency to favour 100-1 outsiders. Their motivation may be the desire for a big win to justify the act of gambling at all.

The same tendency to overpay appears in the sophisticated world of financial markets. High-volatility securities within each asset class, such as CCC-rated corporate bonds or 30-year Treasury bonds, tend to offer lower long-run returns than other assets in their category. This goes against the grain of financial theory, which states that investors ought to demand *higher* long-term returns for owning more volatile securities.

It seems, however, that investors are hoping to get "more bang for the buck" by buying these assets, just as punters buy more lottery tickets when the payout is known to be large. A related tendency is for investors to overpay for shares in fast-growing companies, wrongly assuming that such growth rates can be maintained over the long term. Everyone wants to find the next Apple.

If the past three years show anything, it is that markets do not work as the models suggest. Antti Ilmanen, a hedge-fund manager at Brevan Howard, outlines many of the anomalies in his epic book*, "Expected Returns: An Investor's Guide to Harvesting Market Rewards".

The Treasury-bond market provides another case study. The trade-off between return and risk improves rapidly as investors buy assets with longer-term maturities, but only up to two-year bonds. After that it flattens out.

The reason may be that investors desire liquidity, defined in this case as assets they can sell easily and for which they can realise close to full value. In particular they like assets that retain such characteristics when other markets are going to hell. That makes them prefer very short-term Treasury bills with maturities of a month or less. Such demand drives down the yield (and return) on those assets and creates an opportunity for investors able to take a longer-term view.

In a sense, this liquidity preference can be seen as the obverse of the lottery-ticket tendency: investors overpay for both low-volatility and high-volatility assets.

Some anomalies can be explained by variations of both phenomena. Take the carry trade, a strategy oft-cited by investment pundits to explain market activity. Investors borrow money in a low-yielding currency, such as the Japanese yen, and invest in a higher-yielding currency, like the Australian dollar.

The carry trade is a bit of a puzzle since it seems too simple to work. You would expect currency investors to demand a higher yield as compensation for the risk of depreciation. Countries with high interest rates are normally those with high inflation rates and you would think such currencies would lose value over time.

But the carry trade has been persistently profitable for around 30 years. On average, investors have pocketed the higher yield without suffering any effects from depreciation.

Why has it worked? Mr Ilmanen argues that a carry-trade strategy is akin to the actions of the seller, rather than the buyer, of lottery tickets. In most circumstances, the strategy appears to be profitable but then, on a few occasions, the numbers turn out badly.

The strategy can fail in two different ways, reflecting the two legs of the trade. In the first the investing currency devalues massively, as happened in Iceland in 2008. In the second, the funding currency rises sharply. This tends to happen at moments of general panic, as investors attempt to reduce their leverage. In order to cut their borrowings, they have to buy the low-yielding currency that was borrowed to finance the trade. This causes that currency to rise.

As a result, a carry trade tends to go wrong at the moment when most other risky assets (equities, high-yield corporate bonds) are also suffering. It thus has the opposite characteristics to the short-term Treasury bill. As a result, Mr Ilmanen conjectures, investors demand a higher return as compensation for the risk they are taking on.

The lottery/liquidity trade-off creates opportunities for profits elsewhere. In corporate bonds the best returns have been achieved not from the best credits or the worst, but from companies rated BB, just below investment grade. There are many more thought-provoking examples in Mr Ilmanen's insightful and wonderfully lucid book.

* Published by Wiley. 570pp pound45/$75

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European monetary policy

Trigger-happy

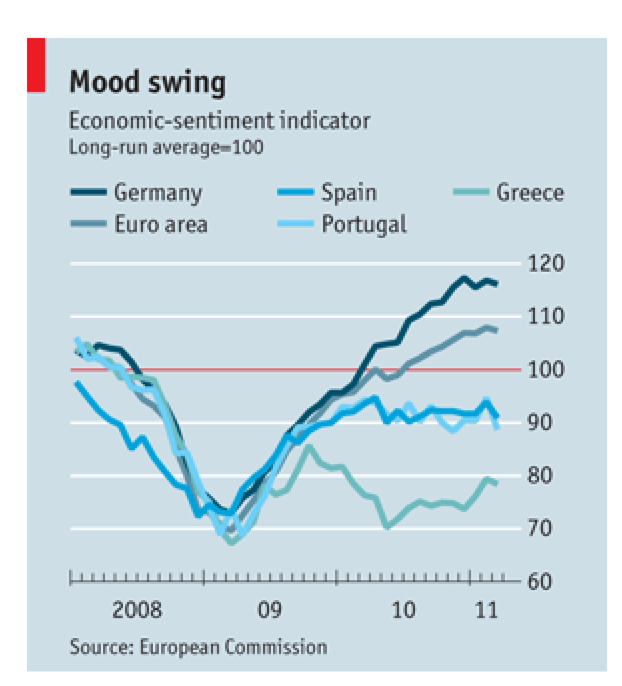
The European Central Bank is planning to raise rates too soon

THE formal decision has yet to be made. But the surprise now will be if the European Central Bank (ECB) does not raise its policy rate at its next meeting on April 7th. After the ECB's governing council met in early March, Jean-Claude Trichet, the bank's president, could scarcely have semaphored an imminent rate rise more clearly. Despite the tsunami in Japan and the conflict in Libya there has been no hint of second thoughts among the 23 members of the council. A rise, expected to push the rate up from an historic low of 1% to 1.25%, would put the ECB well ahead of the Federal Reserve and probably beat the Bank of England (whose rate-setters meet on the same day) to the draw as well.

The increase may be small but it would mark the turn in the interest-rate cycle. And the case for early tightening looks flimsy. True, euro-wide inflation has risen in recent months above the ECB's target of "below but close to 2%". But the overshoot, to 2.6% in March, has been primarily driven by higher energy costs, reflecting the jump in world oil prices. Measures of "core" inflation, which exclude more volatile things like energy and food, have remained at around 1%.

Mr Trichet argues that monetary tightening is needed to ward off "second-round" effects of rising commodity prices, whereby wages and prices respond to an initial upward jolt by spiralling higher. Yet wages are placid in the euro area, rising by just 1.4% in the year to the final quarter of 2010. Inflation expectations, whether measured through surveys or from the gap between conventional and inflation-linked bonds, show no sign of taking flight.

That is hardly surprising. The German economy sprinted ahead last year, growing by 3.6%, but euro-wide GDP rose by only 1.7%. Even though the recession was the most wrenching of four downturns in euro-area countries since the 1970s, the recovery has been among the weakest. That has left the economy operating 3.5% below its potential, according to the OECD. This hefty spare capacity should bear down on inflationary pressures.



Business surveys point to rapid growth in early 2011, but this follows a weak patch in the second half of last year in which GDP rose by only 0.3% a quarter. Moreover, there are some signs of a loss of momentum-hardly surprising as higher oil prices fuel worries about the global economy. A composite measure of confidence among businesses and consumers in the euro area compiled by the European Commission, which tends to track GDP growth, has come off a recent high (see chart).

The ECB uses a "monetary cross-check" when setting interest rates. But even the most neurotic monetarist would find it hard to get worked up about the latest figures, which show broad-money supply rising by just 2% in the year to February and lending growth still muted by historical standards. As for the argument that a rise in rates is overdue because the current stance is exceptionally loose, the economy has taken an exceptional blow.

It is hard to avoid the conclusion that there is more to the ECB's eagerness to raise rates than a straightforward appraisal of economic prospects. The central bank is painfully aware that it has been dragged into fiscally muddy waters by buying government bonds from debt-afflicted countries like Greece, Ireland and Portugal. That makes the ECB all the keener to reaffirm its credentials as a doughty inflation-fighter by brooking no delay in raising rates now that its target is being exceeded.

Internal politics are also at play. Mr Trichet is due to step down at the end of October. A succession battle is under way in which the views of Angela Merkel, the German chancellor, will be crucial. That makes it sensible for candidates on the governing council like Italy's Mario Draghi to take a Germanic line on anything that smacks of inflationary excesses.

Whatever the precise rationale, the ECB move will exacerbate the emerging divide between core euro-zone members with sturdier public finances and peripheral economies that have run up too much debt. In Germany, a small rise in interest rates will barely scratch the economy. In Spain, whose prospects are crucial if the debt crisis is to be contained (see article), it will hurt households with mortgages, most of which are variable-rate. And in Greece and Ireland, as they push through austerity programmes, it will feel as if Pelion is being piled on Ossa.

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Spanish banks

Hard landing

Land has gone from being the safest of bets to the riskiest

HOW bad Europe's debt crisis gets depends largely on Spain, which would be much harder to rescue than smaller economies like Greece. How bad things get in Spain depends largely on the banks, which are already trying to find an additional euro15 billion ($21.1 billion) to meet new capital requirements imposed by the government. And how bad things get for Spanish banks depends largely on the country's unfolding property bust. Nestling at the heart of these worries is land.

Land was the hot commodity in the decade-long Spanish property boom. Local councils allowed ever more plots to be zoned for urban development, issuing building permits with abandon and receiving fees or a percentage of the land. The scale of the boom is only now apparent, following requests from the Bank of Spain for details of lenders' exposures.

Almost a quarter of the banks'euro320 billion in loans to developers is backed by land, according to estimates by Goldman Sachs. Land also makes up nearly half of the euro70 billion of real-estate assets now owned by the banks and savings banks. Add it all up, and Spanish institutions have exposure to more than euro100 billion of empty plots, either as lender or owner. "The main issue for the banks isn't excess housing, it's land," says Carlos Ferrer-Bonsoms of Jones Lang LaSalle, a consultancy.

According to Fernando Rodriguez y Rodriguez de AcuÃ±a of RR de AcuÃ±a, another consultancy, there are approximately 1.5m unsold homes in Spain, of which 1m need to be sold before most of that acreage is developed. Digesting that housing glut will take at least five years. He calculates that another 2.7m homes could be built on existing developable land. Plots located in crowded metropolitan areas like Madrid or in prime coastal locations stand the best chance. But he estimates that 1.45m of those developments won't see the light of day until after 2020, due to their poor location. Many will never get built at all.

Some banks are striking bargains with stronger property developers or co-operatives to build housing units on the more attractive land plots in exchange for a slice of the development. But a bank will finance the project only if the developer manages to sell a high percentage of the units upfront, a tall order.

La Caixa, one of Spain's largest savings banks, is pioneering the use of land for affordable housing. It is building 1,100 units of low-rent apartments for the young and old on plots swapped for loans with bust developers. The construction is funded by its charitable foundation, Obra Social la Caixa. After ten years tenants will have an option to buy.

Options for taking land holdings off banks' balance-sheets are unattractive. Land transactions totalled just euro4 billion in 2010, down from euro23 billion in 2004. Distressed funds are willing to buy, albeit at steep discounts. But many banks are carrying the land on their books at higher prices and are reluctant to sell at a big loss. Even those lenders that have braced for big losses-Spain's biggest bank, Santander, has provisioned 35-40% of its acquired land, for instance-may need to set aside more. Just how much more is a question with ramifications well beyond those empty tracts of Iberia.

JFK and quantitative easing

Twisted thinking

Government debt-managers may be undermining quantitative easing



QE in Camelot

QUANTITATIVE easing (QE) is an ugly name for a simple idea. Central banks buy long-term government bonds with newly printed money. This raises the bonds' prices, lowers their yields and provides a helpful boost to growth when central banks' main tool, the short-term interest rate, is close to zero.

There is plenty of dispute over whether QE works, but not over who should be doing it: the central bank, obviously. Yet is it so clear-cut? A new paper has found that a finance ministry can accomplish the same outcome simply by altering the maturity structure of its debt.

America tried precisely that in 1961. To lower long-term rates the administration of John Kennedy persuaded the Federal Reserve to co-operate with the Treasury in selling (shorter-term) bills and using the proceeds to purchase (longer-term) bonds. By altering the supply of different types of debt, the idea was to "twist" the yield curve. This came to be known as Operation Twist after the early 1960s dance craze sparked by Chubby Checker, a singer whose views on QE are not known.

Operation Twist has long been considered a failure. Early studies found little impact on yields, vindicating those who argued that the price of a security depends only on expectations-of inflation, for example, or monetary policy-not its relative supply. Eric Swanson, an economist at the Federal Reserve Bank of San Francisco, disagrees. Previous studies, he reckons, didn't properly isolate the influence of Operation Twist from countervailing factors. By studying the behaviour of bonds right around announcements related to Operation Twist, he concludes the programme lowered yields by 15 basis points in total. Since the Fed's current QE programme is comparable in size, at around 4% of total Treasury and agency-backed debt, he reckons it should have the same sort of impact. (The actual effect is difficult to discern; yields have actually risen since QE began, but that is mostly because the economy has improved.)

What that implies is that finance ministries could conduct their own QE by issuing less long-term debt, reducing its supply and driving up prices. In fact, governments have done exactly the opposite. Since mid-November America's Treasury has issued some $589 billion in extra long-term debt, of which the Fed has bought $514 billion. From early 2009 through to March 2010 Britain's Treasury issued pound247 billion ($396 billion) of extra long-term gilts, of which the Bank of England bought pound199 billion. In effect, QE in both countries has been undermined by debt-management policy.

Finance ministries and central banks have different goals, of course. The government wants to minimise the risk that short-term interest rates spike and lenders flee just when lots of debt must be refinanced. Such "rollover risk" is the reason why America's Treasury has lengthened the average maturity of its debt since mid-2009, and its British counterpart has kept average maturities at a rich-world high of 14 years. For their part, central banks prefer the fiscal authorities to steer clear of monetary policy, even the unconventional sort. But in times like these a bit more co-ordination might be constructive.

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Lehman's mini-bonds

The good inside the bad

A settlement in Hong Kong reveals substantial value inside dud securities



WILL this be the end of months of protests outside the branches of Hong Kong's big banks by holders of so-called Lehman mini-bonds? A settlement announced on March 28th provides most of the retail investors in these structured products with a 70-93% recovery rate on their initial investment; an additional payment pushes the recovery range up to 85-96.5%.

In truth the products were neither "mini" nor all that much to do with Lehman. In Hong Kong alone, thousands of residents held the securities. Lehman structured many of the instruments and provided a sophisticated guarantee through a swap, which is why they were dragged into the firm's bankruptcy, but the underlying assets were mostly collateralised-debt obligations issued by others.

On the surface the settlement sounds pretty good. Back in 2009 Hong Kong's regulators and 16 banks that marketed the products offered the bondholders 60% of their investment back, and the possibility of a higher repayment based on further recovery, in exchange for title to the bonds. Almost 30,000 customers, with a total of HK$5.5 billion in assets, agreed. That allowed the banks to go after the Lehman estate for access to the assets, which in turn led to this week's settlement.

The final payout is nowhere near as stingy as had once been feared. Locally the deal is seen as a consequence of shaming the financial institutions which sold the products into coughing up. When the "mini-bonds" stopped paying out, local regulators were deluged with complaints. Just how aggrieved investors had a right to feel is unclear: the products came with thick, and doubtless unread, prospectuses detailing the risks involved. But picket lines, clanging drums and acerbic signs focused the attention of bankers and regulators on the plight of people whose financial expertise amounted to spotting products with higher interest rates than low-yielding bank deposits.

As litigation surrounding the Lehman bankruptcy advanced, the odds against a good outcome for the little guy stacked up. A British court ruling in a related case implied the assets were the property of the bondholders; an American court ruled they were part of the Lehman estate. This kind of mess is for Goliaths, not Davids.

Yet investors may even now have cause for complaint. Just how much value was surrendered to extract the assets from the wreckage of Lehman is not clear, but the amounts are likely to have been large. The size of the payouts suggest that the assets underlying the securities are far from worthless, even if the tumultuous markets and Lehman's bankruptcy obscured their value at the time. Working out what collateral lies behind the instruments is not easy but they include bonds issued by solid corporate names which did not default; upon maturity, the proceeds from some of these bonds were reinvested in Treasuries. If there was no default, investors might ask why they are not being fully reimbursed.

The mini-bond saga raises wider questions, too. For retail investors in particular, the risks of having securities held by people in one jurisdiction sold by companies operating in another jurisdiction that may have assets in yet another and come under multiple regulators look indefensibly complex to gauge. Yet these sort of structures continue to thrive even now.

The mini-bond recovery rates suggest, too, that other Lehman-linked securities which froze up in the panic of 2008 could yield big returns for investors that were brave enough to pick them up. The crisis was both the revelation of a broken financial system and a panic where prices evaporated because confusion reigned.

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Berkshire Hathaway

Unexpected loss

A possible successor to Warren Buffett leaves

ONE of Wall Street's favourite parlour games is to speculate about who will follow Warren Buffett as head of Berkshire Hathaway. The excitement will only have grown with the abrupt resignation, in peculiar circumstances, of one of the candidates to succeed him.

News of the departure of David Sokol, chairman of various Berkshire holdings, came in a typically quirky statement from the Sage of Omaha. He professed to be taken aback. So were many readers when they reached the bit about Mr Sokol's share dealings. In January he had recommended that Mr Buffett buy Lubrizol, a chemicals firm. It later transpired that Mr Sokol had traded in and out of Lubrizol shares in the weeks before coming to his boss with the idea. By that time, he held several million dollars' worth. The acquisition was announced on March 14th, at a price well above that at which Mr Sokol had bought his shares.

Mr Buffett said he did not feel his lieutenant's share purchases were "in any way unlawful" and denied having fired him; rather, he said, Mr Sokol had left to concentrate on investing his family's wealth. Mr Buffett says Mr Sokol had mentioned that he owned Lubrizol shares when they first discussed the company. No evidence has emerged that he continued to buy or sell after then.

Still, an adviser on business ethics probably wouldn't recommend copying Mr Sokol. He may not have had the final say on whether to bid—that lay with Mr Buffett, his partner, Charlie Munger, and the board. But he was involved in making the deal happen, even leading the early negotiations. He seems to have been instrumental in overcoming substantial scepticism on Mr Buffett's part.

This is toe-curling stuff for the great investor, who prides himself on fair-dealing and likes to stake out the moral high ground. Think derivatives, which he has damned as dangerous. Or his tut-tutting over Wall Street's book-cooking. (In both cases there is a whiff of hypocrisy: Berkshire dabbles in derivatives and it was recently forced to write down holdings that regulators deemed overvalued.)

The affair will fuel talk that Mr Buffett's halo is slipping. He has racked up big profits on investments made with his enviable cash pile during the crisis, including in Goldman Sachs. But he himself doubts that Berkshire will be able to match its stellar performance of decades past now that it has swollen to a market capitalisation of $211 billion. Even before this week the 80-year-old's succession planning looked hazy. He might want to consider using Mr Sokol's unexpected departure to shed more light.

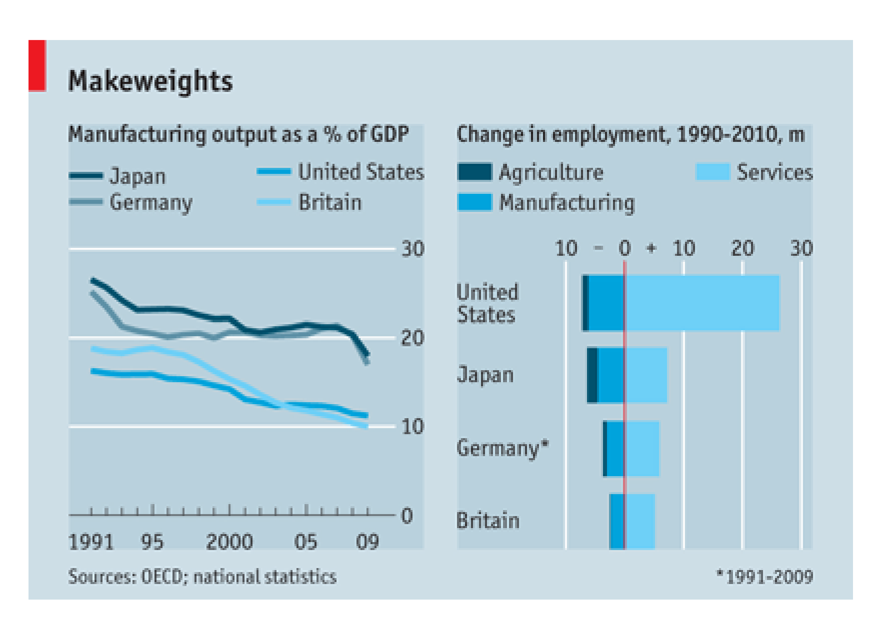
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Economics focus

Cash machines

Calls to boost manufacturing ignore the gains still to be made from services

THE hero of "American Pastoral", an electrifying novel by Philip Roth, owns a glove-making company. Seymour "Swede" Levov mourns the skills that were lost when he moved all his production offshore: the art of table-cutting, the twists and turns where finger crotches were sewed. But he is as saddened by the decline of Newark itself, from a city where there was somebody "making something down every side street" to a place with "a liquor store in every street...the worst city in the world."



Many people in rich countries view the steady decline in the share of GDP that comes from manufacturing (see left-hand chart) with disquiet. This popular perception has academic champions, too. A new paper* written for the Council on Foreign Relations in New York by Michael Spence and Sandile Hlatshwayo argues that the American economy must find ways to expand employment in "tradables": industries whose products are traded across borders. This is a category that includes some services, like finance. But it is dominated by manufacturing.

The duo carefully dissect America's labour-force figures and find that tradables have contributed almost nothing to American job creation since 1990. Between 1990 and 2008, the American economy saw a net addition of 27.3m jobs. Almost all of this was in non-tradable service industries, like education, health, retailing and government services, which added 26.7m jobs. The extra 0.6m jobs in tradable industries stemmed from growth in tradable services like finance and insurance, where gains marginally outweighed losses in manufacturing jobs.

These broad trends in job growth by sector are quite similar in other rich countries (see right-hand chart), which suggests that they are subject to common factors. Technological change and globalisation are the likeliest candidates. In combination, these have allowed countries to specialise not in entire goods or services, but in specific stages of the production process. Lower-value-added bits of the production chain moved to the developing world, where labour was cheaper. Higher-end jobs remained at home. As a result, even as overall employment in American manufacturing declined, its value-added per worker soared. In tradable services, where America continued to have a comparative advantage, both value-added and employment rose concurrently. The same happened in non-tradable services, which by definition need to be done where consumers are based.

Why worry about this? The two economists fear that demand for non-tradables may not continue to grow at the pace of recent decades, as the government and cash-strapped consumers both cut back, affecting sources of recent job growth like retailing, health care and government services. So they argue in favour of America explicitly targeting some public-sector investment towards technologies that might expand the scope of the tradable sector. "The structural evolution of the economy matters", they write, "and can be influenced in relatively efficient ways."

In fact, it is far from clear whether, and how, such a policy might work. But many would question the need for this sort of industrial policy in the first place. If weak demand keeps American interest rates and the dollar low, the tradable sector is likely to expand without needing a public-policy shove. America remains the world's largest manufacturer. Both America and Japan roughly doubled manufacturing output between 1980 and 2009; nowhere in the G7 has output declined in absolute terms. Lower-end manufacturing has indeed moved to countries like China, with their masses of cheap labour, but it is not obvious why this pattern of comparative advantage should be resisted.

Services mentality

Jagdish Bhagwati of Columbia University reckons that those who argue in favour of boosting rich-world manufacturing suffer from a "manufacturing fetish". One reason for the fascination with manufacturing, Mr Bhagwati says, is the mistaken belief that it is more technologically dynamic than service industries. He points to logistics companies, major retailers and mobile telecommunications as sources of innovation in non-financial services, and to genetically modified seeds as the most prominent example in agriculture. Dale Jorgenson of Harvard University thinks that American services companies, particularly wholesale and retail traders, have been reaping huge gains over the past decade from information technology. Companies like Walmart and Cisco have built global supply chains, linking cash registers at retail outlets with factories around the world.

Mr Bhagwati also argues that a second assumption of the fetishists-that manufacturing is better for job creation-is fundamentally flawed. Changing the composition of output in favour of manufacturing industries need not matter critically for job creation, he says. Increasing demand for non-tradable services should do just as well, as the years before the crisis attest.

Nor is it clear that global demand for services-tradable or not-is going to slow. As emerging economies become richer, they will want more of all sorts of services, including sophisticated ones where countries like America and Britain retain a comparative advantage. Those who pitch for manufacturing on the ground that it is better at boosting exports often ignore the fact that an increasing number of services are traded, and that rich countries tend to export more of them than they import. America and Britain, for instance, typically run surpluses in services.

Rich countries do face hurdles in capitalising on their strengths, however. Trade in services still remains far too restricted, and not only in emerging economies. Mario Monti of Bocconi University in Milan has found that only 20% of services provided in the European Union have a cross-border component, for instance. Efforts to free up trade in services may bring more benefits than calls to boost manufacturing.

* "The Evolving Structure of the American Economy and the Employment Challenge" by Michael Spence and Sandile Hlatshwayo, Council on Foreign Relations working paper, March 2011

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Marjorie Deane internships

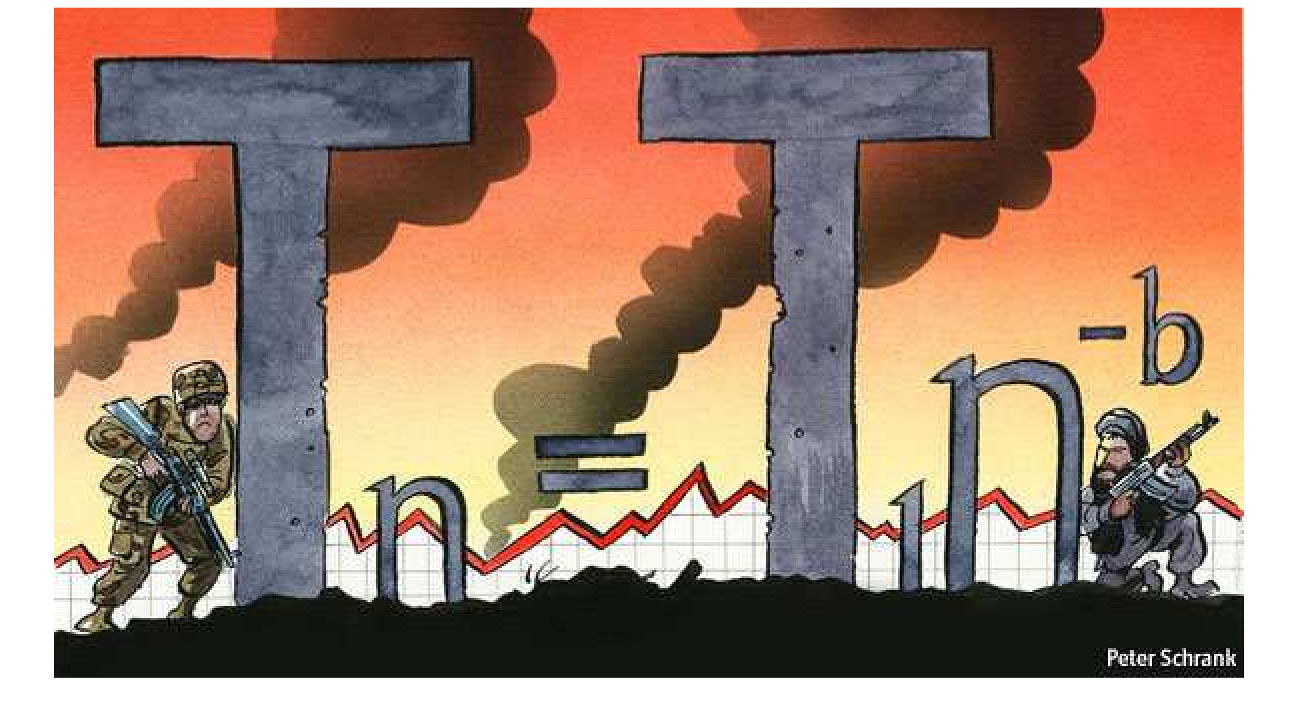
Applications are invited for *The Economist*'s 2011 Marjorie Deane internships. Financed by the Marjorie Deane Financial Journalism Foundation, the awards designed to provide work experience for a promising journalist or would-be journalist, who will spend three months at *The Economist* writing about economics and finance. Applications are asked to write a letter introducing themselves, and an original article of no more than 500 words that they think would be suitable for publication in this section. Applications should be sent to deaneintern@economist.com by April 15th 2011.

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Military strategy

Cry havoc! And let slip the maths of war

Warfare seems to obey mathematical rules. Whether soldiers can make use of that fact remains to be seen



IN 1948 Lewis Fry Richardson, a British scientist, published what was probably the first rigorous analysis of the statistics of war. Richardson had spent seven years gathering data on the wars waged in the century or so prior to his study. There were almost 300 of them. The list runs from conflicts that claimed a thousand or so lives to the devastation of the two world wars. But when he plotted his results, he found that these diverse events fell into a regular pattern. It was as if the chaos of war seemed to comply with some hitherto unknown law of nature.

At first glance the pattern seems obvious. Richardson found that wars with low death tolls far outnumber high-fatality conflicts. But that obvious observation conceals a precise mathematical description: the link between the severity and frequency of conflicts follows a smooth curve, known as a power law. One consequence is that extreme events such as the world wars do not appear to be anomalies. They are simply what should be expected to occur occasionally, given the frequency with which conflicts take place.

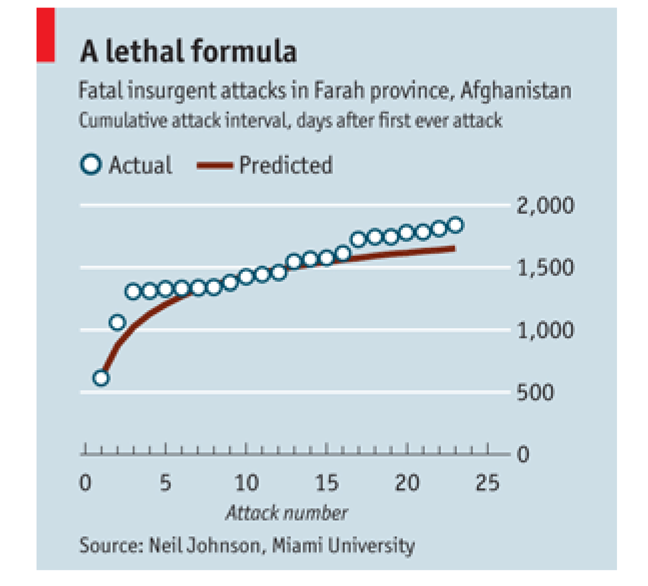
The results have fascinated mathematicians and military strategists ever since. They have also been replicated many times. But they have not had much impact on the conduct of actual wars. As a result, there is a certain "so what" quality to Richardson's results. It is one thing to show that a pattern exists, another to do something useful with it.

In a paper currently under review at *Science*, however, Neil Johnson of the University of Miami in Coral Gables, Florida, and his colleagues hint at what that something useful might be. Dr Johnson's team is one of several groups who, in previous papers, have shown that Richardson's power law also applies to attacks by terrorists and insurgents. They and others have broadened Richardson's scope of inquiry to include the timing of attacks, as well as the severity. This prepared the ground for the new paper, which outlines a method for forecasting the evolution of conflicts.

Progress, of a sort

Dr Johnson's proposal rests on a pattern he and his team found in data on insurgent attacks against American forces in Afghanistan and Iraq. After the initial attacks in any given province, subsequent fatal incidents become more and more frequent. The intriguing point is that it is possible, using a formula Dr Johnson has derived, to predict the details of this pattern from the interval between the first two attacks.

The formula in question ($T_n = T_1 n^{-b}$) is one of a familiar type, known as a progress curve, that describes how productivity improves in a range of human activities from manufacturing to cancer surgery. T_n is the number of days between the nth attack and its successor. (T_1 is therefore the number of days between the first and second attacks.) The other element of the equation, b, turns out to be directly related to T_1. It is calculated from the relationship between the logarithms of the attack number, n, and the attack interval, T_n. The upshot is that knowing T_1 should be enough to predict the future course of a local insurgency. Conversely, changing b would change both T_1 and T_n, and thus change that future course.



Though the fit between the data and the prediction is not perfect (an example is illustrated right), the match is close enough that Dr Johnson thinks he is onto something. Progress curves are a consequence of people adapting to circumstances and learning to do things better. And warfare is just as capable of productivity improvements as any other activity.

The twist in warfare is that two antagonistic groups of people are doing the adapting. Borrowing a term used by evolutionary biologists (who, in turn, stole it from Lewis Carroll's book, "Through the Looking-Glass"), Dr Johnson likens what is going on to the mad dash made by Alice and the Red Queen, after which they find themselves exactly where they started.

In biology, the Red Queen hypothesis is that predators and prey (or, more often, parasites and hosts) are in a constant competition that leads to stasis, as each adaptation by one is countered by an adaptation by the other. In the case Dr Johnson is examining the co-evolution is between the insurgents and the occupiers, each constantly adjusting to each other's tactics. The data come from 23 different provinces, each of which is, in effect, a separate theatre of war. In each case, the gap between fatal attacks shrinks, more or less according to Dr Johnson's model. Eventually, an equilibrium is reached, and the intervals become fairly regular.

The mathematics do not reveal anything about what the adaptations made by each side actually are, beyond the obvious observation that practice makes perfect. Nor do they illuminate why the value of b varies so much from place to place. Dr Johnson has already ruled out geography, density of displaced people, the identity of local warlords and even poppy production. If he does find the crucial link, though, military strategists will be all over him. But then such knowledge might perhaps be countered by the other side, in yet another lap of the Red Queen race.

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Status displays

I've got you labelled

Clothes may make the man, but it is the label that really counts



What more could a boy want?

DESIGNERS of fancy apparel would like their customers to believe that wearing their creations lends an air of wealth, sophistication and high status. And it does-but not, perhaps, for the reason those designers might like to believe, namely their inherent creative genius. A new piece of research confirms what many, not least in the marketing departments of fashion houses, will long have suspected: that it is not the design itself that counts, but the label.

Rob Nelissen and Marijn Meijers of Tilburg University in the Netherlands examined people's reactions to experimental stooges who were wearing clothes made by Lacoste and Tommy Hilfiger, two well-known brands that sell what they are pleased to refer to as designer clothing. As the two researchers show in a paper about to be published in *Evolution and Human Behavior*, such clothes do bring the benefits promised: co-operation from others, job recommendations and even the ability to collect more money when soliciting for charity. But they work only when the origin of the clothes in question is obvious.

In the first experiment, volunteers were shown pictures of a man wearing a polo shirt. The photo was digitally altered to include no logo, a designer logo (Lacoste or Hilfiger) or a logo generally regarded as non-luxury, Slazenger. When the designer logo appeared, the man in the picture was rated as of higher status (3.5 for Lacoste and 3.47 for Hilfiger, on a five-point scale, compared with 2.91 for no logo and 2.84 for Slazenger), and wealthier (3.4 and 3.94 versus 2.78 and 2.8, respectively).

To see if this perception had an effect on actual behaviour, the researchers did a number of other experiments. For instance, one of their female assistants asked people in a shopping mall to stop and answer survey questions. One day she wore a sweater with a designer logo; the next, an identical sweater with no logo. Some 52% of people agreed to take the survey when faced with the Tommy Hilfiger label, compared with only 13% who saw no logo.

In another experiment, volunteers watched one of two videos of the same man being interviewed for a job. In one, his shirt had a logo; in the other, it did not. The logo led observers to rate the man as more suitable for the job, and even earned him a 9% higher salary recommendation.

Charitable impulses were affected, too. When two of the team's women went collecting for charity on four consecutive evenings, switching between designer and non-designer shirts, they found that wearing shirts with logos brought in nearly twice as much-an average per answered door of 34 euro cents (48 American ones) compared with 19 euro cents when logo-less. It seems, then, that labels count. The question is, why?

The answer, Dr Nelissen and Dr Meijers suspect, is the same as why the peacock with the best tail gets all the girls. People react to designer labels as signals of underlying quality. Only the best can afford them. To test that idea, they checked how people responded to a logo they knew had cost the wearer nothing. To do this, they asked their volunteers to play a social-dilemma game, in which both sides can benefit from co-operating, but only at the risk of being taken advantage of.

Each volunteer was given euro2 in 10 cent coins and told he (or she) could transfer as much as desired to an unseen partner, and that any amount transferred would be doubled. If both partners transferred all of their money, each would end up with euro4. But because there was no guarantee that the unseen partner would give back any money at all, players tended to hedge their bets, and transfer only some money.

When shown a picture of their purported partner wearing a designer shirt, volunteers transferred 36% more than when the same person was shown with no logo (95 cents, as opposed to 70 cents). But when told that the partner was wearing a shirt given by the experimenters, the logo had no effect on transfers. The shirt no longer represented an honest signal.

This study confirms a wider phenomenon. A work of art's value, for example, can change radically, depending on who is believed to have created it, even though the artwork itself is unchanged. And people will willingly buy counterfeit goods, knowing they are knock-offs, if they bear the right label. What is interesting is that the label is so persuasive. In the case of the peacock, the tail works precisely because it cannot be faked. An unhealthy bird's feathers will never sparkle. But humans often fail to see beyond the superficial. For humans, then, the status-assessment mechanism is going wrong.

Presumably what is happening is that a mechanism which evolved to assess biology cannot easily cope with artefacts. If the only thing you have to assess is the quality of a tail, evolution will tend to make you quite good at it. Artefacts, though, are so variable that mental shortcuts are likely to be involved. If everyone agrees something has high status, then it does. But that agreement often transfers the status from the thing to the label. Maybe a further million years or so of evolution will eliminate this failing. In the meantime, marketers can open another bottle of champagne.

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Materials science

Stronger when stricken

A new material that gets stiffer when it is stressed

ONE of the valuable properties of bone is that when it endures repeated stress it responds by becoming denser and stronger. A living material can do that. A non-living one cannot. It has no way of adding the extra matter needed to provide the extra density. But it would help engineers a lot if non-living stuff could at least stiffen in response to stress-and that may now be possible. Brent Carey, a graduate student at Rice University in Texas, thinks he has found a way to make it happen.

Mr Carey made his discovery when he was testing the properties of a material made of carbon nanotubes (cylinders of carbon atoms a few billionths of a metre across) and a rubbery polymer called polydimethylsiloxane. He created this composite by growing a forest of nanotubes using hot hydrocarbon gases and an iron catalyst, and then filling the space between the tubes with the polymer.

The surprise came when he discovered how his new material responded to repeated stress. He found this did not cause any of the damaging fatigue that would be expected. Indeed, his initial inspection suggested the stuff was actually growing stiffer. Fascinated by this result, he took his finding to his supervisor, Pulickel Ajayan, and they assembled a team to study the new material.

They gave the composite a real workout. They compressed it five times a second for a week. That caused its stiffness to increase by 12%. Moreover, the effect showed no sign of abating, which led them to suspect that if it were exposed to more stress it would grow stiffer still.

Why this happens is still a mystery. Mr Carey and his colleagues report in the American Chemical Society's journal *Nano* that heating the new material did not eliminate the response. This suggests that the self-stiffening is not the result of chemical changes in the polymer, which can usually be undone by heat.

The researchers do have one lead, though. Because of the regular alignment of the nanotubes, they were able to stress the material from various directions. They found that when the direction of stress was at right-angles to the tubes, it stiffened by 5.9%. When it was in the direction in which tubes were pointing, the increase was only 4.3%. What that means is still unclear, but it may be the key to understanding the phenomenon-and thus being able to replicate it with other ingredients.

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Genetics and evolution

Some chicken. Some neck...

Why certain birds are partly featherless



Transylvania's rednecks

THE Transylvanian naked-neck chicken may, to mix bestial metaphors, sound like a *poisson d'avril* (as the French call an April fool), but it is a real breed, probably originating from the eponymous Romanian region. Nor are Transylvanian chickens the only naked-necked birds in the world. Various vultures have featherless necks, presumably to stop the blood and gore from their meals matting their plumage. And ostriches and emus, too, are bare-necked-in their case to radiate away the heat generated when they run.

All this avian nakedness has caught the attention of researchers, who wonder what mechanism underlies it. Denis Headon of the Roslin Institute, in Edinburgh, and his colleagues, now think they know. The result, described recently in the *Public Library of Science*, shows how fiendishly complicated genetics and evolution actually are.

The naked-necked chicken's distinctive feature is caused, not surprisingly, by a mutation in its DNA. This mutation is not actually in a gene, though. Instead, it is in part of the DNA which is not translated into protein and which geneticists once, in their ignorance, referred to as junk DNA. But little in biology is junk. Natural selection sees to that. So, although the mutation does not change the composition of any protein, it does change the activity of a nearby gene that encodes a protein called BMP12. Specifically, it causes more BMP12 than normal to be produced. BMP12 is one of a group of proteins that control the density of hair in mammals and feathers in birds. In the case of BMP12, it slows down the growth of such features.

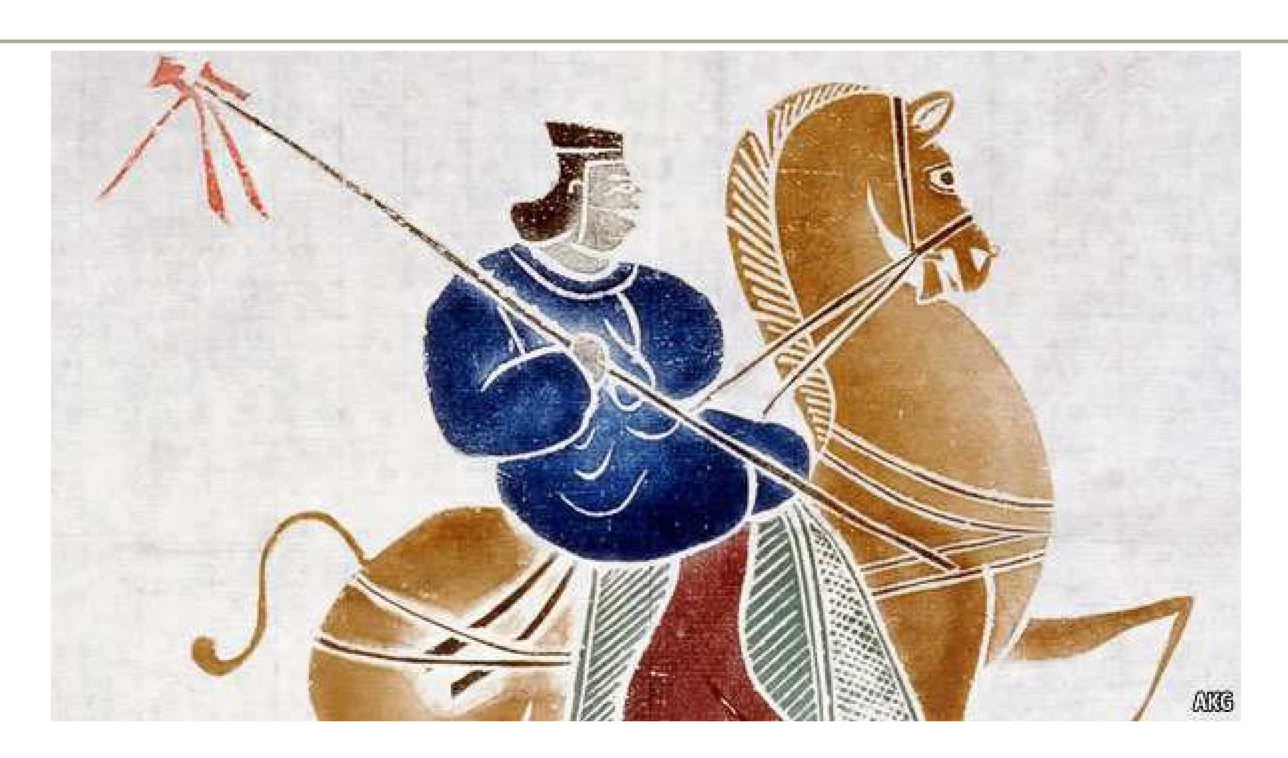
An inherited mutation of this sort will, however, be present in all cells, so the question is: why does it express itself only in the chicken's neck? To investigate that, Dr Headon turned to a second chemical, retinoic acid. This substance, a derivative of vitamin A, is a well-known regulator of the differentiation of tissues in developing embryos. But it can still spring surprises. Dr Headon discovered that retinoic acid enhances the effect of BMP12 so that it does not merely slow the growth of feathers, but stops such growth altogether. And, for reasons as yet undiscovered, the embryonic neck-skin of birds produces more retinoic acid than the embryonic skin from any other part of their bodies.

Indeed, Dr Headon was able to make cultured skin samples from ordinary chickens featherless by dosing them with BMP12. The extra retinoic acid did the trick nicely. And, though this has yet to be tested, it might help explain those other featherless species. That they developed naked necks is surely the result of natural selection. That they were *able* to develop naked necks may, though, be because the extra retinoic acid in the neck made the evolutionary transition much easier.

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Theories of history

The good, the great and the gelded



The Origins of Political Order: From Prehuman Times to the French Revolution. By Francis Fukuyama. *Farrar, Straus and Giroux; 608 pages; $35. To be published in Britain by Profile in May; pound25.* Buy from Amazon.com, Amazon.co.uk

WHY did the Catholic church's insistence on priestly celibacy in the late 11th century give Europeans an early advantage over other societies in establishing the rule of law? The answer in Francis Fukuyama's stimulating new book is that celibacy was one of several important reforms, instituted by Pope Gregory VII, which resulted in the development of canon law and the notion that even kings were subject to it. Gregory won everlasting fame by bending Henry IV, the Holy Roman Emperor, to his will, forcing the most powerful man in Europe to do penance before him at Canossa.

Celibacy was vital in the battle against corruption and rent-seeking within the church, both of which were the typical consequences of patrimony. The reforms gave the church the moral stature to evolve into what Mr Fukuyama describes as "a modern, hierarchical, bureaucratic and law-governed institution" that established its authority for spiritual affairs-and by so doing set the ground rules for the subsequent rise of the secular state.

Mr Fukuyama (a pupil of Samuel Huntington who wrote a seminal work on political order 40 years ago) begins his own search for the origins of political order with the shift from small hunting bands to tribes. This eventually brought about the

"coming of the Leviathan" or the coercive state. It was a development driven partly by the increasing complexity of societies founded on agriculture but much more by the organisational challenges of conducting warfare on an ever-greater scale.

With impressive erudition, the author travels across China, India, the Islamic world and different regions of Europe looking for the main components of good political order and at how and why these emerged (or failed to) in each place. The three critical ingredients, he argues, are a strong state, the application of the rule of law to all parts of society and a means of holding rulers to account for their actions.

The first unambiguously modern state, Mr Fukuyama believes, was the Qin dynasty in China, founded in 221BC. Many of the control mechanisms perfected by the Qin had developed during the preceding 500 years or so of the Eastern Zhou dynasty when a host of small warring states across China began to coalesce. Such elements included a merit-based (non-aristocratic) military leadership combined with mass conscription, sophisticated taxation systems and a bureaucracy recruited from a permanent administrative cadre selected on the basis of ability rather than family connection. The Qin simply went much further, assaulting every section of society in its remorseless attempt to establish a form of protototalitarian dictatorship.

The Qin's extremism was also its undoing and it was soon replaced by the more enduring Han dynasty, which sought compromise with aristocratic elites and legitimation through a revived Confucianism. The Han state lasted for more than 400 years. But it was always vulnerable to what Mr Fukuyama calls "the bad emperor problem" as well as to the hardwired human tendency to make ties of kinship the primary criterion for conferring wealth, power and status. As Mr Fukuyama observes: "There is an inverse correlation between the strength of the centralised state and the strength of patrimonial groups. Tribalism...remains a default form of political organisation, even after a modern state has been created."

Much of the book is concerned with the struggle between rulers in different parts of the world trying to forge powerful states (usually with the aim of military domination in times when conquest rather than technological progress was the main route to enrichment) while battling the astonishing ability of patrimonialism to undermine their efforts no matter what measures were used to break its grip. Chinese emperors favoured employing eunuchs in senior positions. Muslim rulers, from the Abbasids in the eighth century to the Mamluk sultanate in Egypt and the Ottomans, developed the institution of military slavery to lessen nepotism and the internal conflicts created by tribal loyalties.

The Mamluks were meant to be a kind of one-generation nobility owing loyalty only to the sultan. Similarly, the Janissaries, the elite slave troops of the Ottoman emperors, were not allowed to marry. But in the end both systems decayed as first the Mamluks and then the Janissaries became interest groups powerful enough to subvert the centralised states they had been created to defend. Once again, patrimonialism reasserted itself.

Mr Fukuyama makes an interesting comparison between 17th-century France, where royal absolutism was rather less absolute than it appeared and England, which, after the upheavals of the civil war and the 1688 revolution, became the first place (Denmark was probably next) to combine all three of the ingredients for a virtuous political order: a strong state, the rule of law and accountability. The problem in France was that the king did not feel strong enough to challenge the legal rights of the aristocracy, but both were happy to deny the rule of law to the peasantry and the rising commercial classes who bore the full brunt of meeting the king's need for money to fight wars, through taxation. England at the time could in no sense be described as a democracy, but the idea of accountability was entrenched at all levels of society by centuries of the common law, creating the political conditions for a constitutional monarchy and a dynamic economy.

Though this first volume concludes with the French revolution (a second, charting developments up to the present day, is in the works) its insights are relevant to our understanding of modern states and how they became what they are. For example, there is China with its incredibly smart centralised bureaucracy, weak rule of law and absence of accountability (Mao, argues Mr Fukuyama, shows that China has not yet escaped the "bad emperor" problem). Or there is India with its weak state, but much greater accountability and almost pedantic attachment to the law.

He also provides us with a yardstick for measuring the chances that the Arab awakening this spring will meet his three tests of political order (not high, at least not yet). Mr Fukuyama is still the big-picture man who gave us "The End of History", but he has an unerring eye for illuminating detail. Books on political theory are not often page-turners; this one is.

Otto von Bismarck

Hard to be king under Bismarck

A man of contradictions



Despot (right) and monarch

Bismarck: A Life. By Jonathan Steinberg. *Oxford University Press; 592 pages; $34.95 and pound25*. Buy from Amazon.com, Amazon.co.uk

IN THIS new biography of the creator of the modern unified German state, Jonathan Steinberg finds a great many contradictory things to say about his subject. Otto von Bismarck was "a hypochondriac with the constitution of an ox, a brutal tyrant who could easily shed tears, a convert to an extreme form of Protestantism, who secularised schools and introduced civil divorce". He was a brilliant writer yet his letters and his memoirs cannot be trusted because he started to tell lies to his mother at a young age and never stopped doing so. He was neurotic, vindictive and insensitive as well as charming, charismatic and full of warmth.

Mr Steinberg, a professor of modern European history at the University of Pennsylvania, is fascinated by Bismarck's complex personality. He started writing about him because he wanted to understand how his hero led three wars and unified Germany without commanding a single soldier, without a big political party backing him, without any experience in government before his nomination as minister-president of Prussia in 1862 and without great oratorical skills.

Bismarck became 19th-century Europe's greatest statesman (alongside Napoleon) through the sheer force of his personality, assisted by his outstanding intelligence, gargantuan capacity for work and his quasi-symbiotic relationship with King William I of Prussia. His ambitions started early. John Motley, an American who was Bismarck's roommate at Gottingen University, saw the will to dominate in his friend when he was only 18 years old. In an 1839 novel Motley thinly disguised him as Otto von Rabenmarck who tells the narrator, a new student at Gottingen: "I intend to lead my companions here, as I intend to lead them in after-life."

Bismarck was enormously powerful in his 26 years as Prussia's political leader. But from the first he was dependent on the goodwill of his king. Indeed, if William had decided to fire him after the fiasco of a belligerent "blood and iron" speech that Bismarck delivered a few days after he was appointed minister-president, his career would have been at an end-and Germany would have probably become a federation of sovereign principalities.

Though the king was unhappy about the speech, he steadfastly backed Bismarck and would do so in subsequent conflicts. Much to the dismay of Queen Augusta, the king's wife, Bismarck had near-hypnotic powers over William. He

manipulated him with temper tantrums, tears, hysterical outbursts and frequent threats of resignation. "It is hard to be king under Bismarck," sighed the sovereign.

Mr Steinberg is at his best when describing the relationship between the royal family and Bismarck. He argues that Bismarck's misogyny stemmed from his childhood when he found himself in a triangle between his cold, intelligent and ambitious mother, whom he disliked, and his weak, kindly father. He despised Queen Augusta, because she interfered in his relationship with the king, and Crown Princess Victoria, the eldest daughter of England's Queen Victoria, because she inserted herself into his relationship with the crown prince.

These strong women played the role of evil enchantresses in Bismarck's psyche, argues Mr Steinberg. They dominated their weak husbands and threatened Bismarck, who sensed conspiracies everywhere. Even in later years, he could not bear to be in the same room with Queen Augusta (by then an elderly lady) and dropped out of an official dinner at the last minute when he found out that he was seated next to her.

Bismarck left his successors an unstable structure. The haphazardly thrown-together constitution of Prussia, with a lower house elected by a three-class voting system and an ineffectual House of Lords, was unsuited for a country that had become a political and economic powerhouse within three decades. By the end of the 19th century Germany possessed heavy industry, advanced technology, thriving ports and harbours, a skilled labour force and an urban intellectual elite, as well as Europe's strongest army. Germans tolerated their archaic government so long as the brilliant and despotic Bismarck was in charge. But the shaky construct fell apart after his death, as did the fragile Bismarckian balance of power in Europe.

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British politics

Not everybody's cup of tea

The Coalition and the Constitution. By Vernon Bogdanor. *Hart Publishing; 162 pages; $40 and pound20*. Buy from Amazon.com, Amazon.co.uk

ENGLAND, said Benjamin Disraeli, "does not love coalitions." That remains true: the British retain a passion for kicking scoundrels out and watching removal vans trundle into Downing Street soon after. The British did not consciously choose the coalition they conjured into being last May when they sacked Gordon Brown but declined to hand David Cameron a majority. Leftish voters, in particular, are furious with the country's third party, the Liberal Democrats, for sharing power with Tories. But at least the novelty is wearing off: nearly a year on, multiparty rule no longer feels quite so alien.

A slim new book by Vernon Bogdanor, recently retired from four decades at Oxford plumbing the mysteries of Britain's unwritten constitution (Mr Cameron was a star pupil), argues that these new arrangements are actually more alien and less democratic than voters realise. For one thing, he says, his ex-pupil is prime minister as a result of an inter-party stitch-up rather than voter choice. Now the coalition is planning big changes to the constitutional status quo. Alas, they carry hazards that are just as poorly understood, Mr Bogdanor thinks. The first test will come on May 5th, when Britain is to hold a referendum on whether to change the voting system for general elections from First Past the Post (FPTP) to the Alternative Vote (AV), in which voters rank candidates in numbered order of preference.

In the short term the result will strain the coalition. The Tories want no change, the Lib Dems are campaigning for a Yes. In the longer term, it is a commonplace among the political classes that AV matters because it would hand the Lib Dems perhaps 20 more seats than FPTP, a system that brutally disfavours smaller parties.

Not so fast, says the professor. Firstly, FPTP actually punishes parties with diffuse geographical support (just ask the Tories, who won one in six Scottish votes at the last general election but picked up just one in 59 of Scotland's seats, Labour in southern England and Lib Dems everywhere). Secondly, the only large country to use AV for national elections, Australia, forces voters to rank all candidates. The version of AV being offered in Britain is more like that used in some

Australian state elections, which allows voters to "plump" for a single party, and leave all other preferences blank. Where voters can plump for one party, a majority do just that, subverting AV into a version of FPTP.

Yet AV matters greatly, Mr Bogdanor concludes, because it makes co-operation between parties much easier: party leaders would be able to urge supporters to give their second preferences to an allied party. Add that to the slumping support for the two big parties, and coalitions could become the norm.

The book makes a depressingly strong case that the changes being mooted to Britain's curious version of democracy will not do the trick (in addition to querying AV, it poses painful questions about other changes planned, such as fixed-term parliaments and a semi-elected House of Lords). It is less convincing when suggesting how to fix things. Mr Bogdanor favours proportional representation buttressed by lots of direct democracy, from party primaries to frequent referendums and Citizens' Assemblies. That is the stuff of fantasy: there is no appetite for such a system in grumpy, uncivic Britain. Instead, the country faces a string of tinkering changes. The unintended consequences will be many. This shrewd, short book explains why.

Travel in Tibet

In pursuit of understanding

How different cultures confront the fact of death



A pilgrimage not to be taken lightly

To a Mountain in Tibet. By Colin Thubron. *Harper; 240 pages; $24.99. Chatto & Windus; pound16.99*. Buy from Amazon.com, Amazon.co.uk

THE physical journeys that Colin Thubron makes in his travel writing are also intellectual and emotional quests of particular intensity. His latest book, which tells the story of his journey to one of the great sacred places in the world, Mount Kailas in southern Tibet, is no exception.

The book begins with him crossing the Tibetan border from Nepal on his way to the mountain. This is a land dense with sacred associations and mythical stories. Stones are carved with ritual incantations, prayer flags blow in the high mountain winds and devoted chanting comes from the numerous monasteries along the way.

The mountain itself is an important site of pilgrimage for Hindus, Buddhists and followers of ancient Tibetan faiths. The goal is to seek purification by trudging round the mountain on a route that is physically demanding but brings spiritual reward. Some die from the effort, others give up, all are possessed by the sense that they are living close to a divine presence.

In the midst of all this Mr Thubron acts like a kind of secular shaman, allowing himself to be possessed by the many spirits of the place without succumbing to their power. He respects what it is that drives pilgrims to Mount Kailas, and follows them round it, but he does not pretend that he is at one with them.

This is not the familiar story of a traveller from the West finding spiritual consolation in Eastern religions. Mr Thubron's particular quest is to find out how different individuals and different cultures confront the fact of mortality. This book is autobiographical in a way that his others are not. He is mourning his mother's recent death and throughout he is haunted by memories of her and of his dead sister and father.

Their words, looks and gestures come back to him as he climbs a mountain path or talks to a Hindu pilgrim or Buddhist monk. The beliefs about reincarnation and the journeys of dead souls that he sees being enacted all round him do not assuage his own sense of loss. Instead his grief becomes one of the multitude of emotions and stories that have brought people over many centuries to Mount Kailas.

Like his earlier work, the book reminds us that for Mr Thubron travel is a kind of ascetic discipline. He takes the reader to high places, literally and metaphorically, and to an understanding of how people from other cultures somehow get by in an unpredictable world.

Morality and the brain

Medical diagnosis of malfeasance

Zero Degrees of Empathy: A New Theory of Human Cruelty. By Simon Baron-Cohen. *Allen Lane; 190 pages; pound20*. Buy from Amazon.co.uk

WICKEDNESS has long been the preserve of religion. For an act to be evil, it must be significantly wrong, embarked upon with full knowledge of its wantonness and embraced wholeheartedly by the person doing the deed. In "Zero Degrees of Empathy" psychologist and psychiatrist Simon Baron-Cohen argues for a scientific explanation of why some people act in a way that appears to be evil. He thinks that they are sick and that they can be treated.

The past offers all sorts of unsavoury stories of behaviour brought into the realm of medicine with dire effects. Remember, for instance, the eugenic sterilisation of the feckless? Yet Mr Baron-Cohen's agenda is liberal and his arguments at least merit inspection.

Can a baby be born bad? Or does poor parenting explain why the cherub has grown up to become a psychopath? There is an element of both nature and nurture in explaining the evil actions of individuals. Though acknowledging that there is a genetic basis for acting like a rotter (men are more likely to behave cruelly, for example), Mr Baron-Cohen notes that "genes cannot code for a high-level construct like empathy. Genes simply blindly code for the production of proteins, blissfully unaware of their ultimate long-range effects."

Empathy-the ability to appreciate that a stranger struggling with a suitcase not only finds his situation challenging but also needs help which, assuming you are not incapacitated yourself, you can and do provide-is key to Mr Baron-Cohen's thesis. He reckons that only those who can empathise with their fellow man (and who consequently act in a considerate way) can hope to be without malice.

Cruelty comes from failing to empathise with others, whether through being inconsiderate or through wilfully ignoring their pain. Some people lack empathy permanently, others switch it off when they are tired, stressed or impatient-telling a

child not to bother you because you are working, for example-and experience regret for their harsh words when their empathy returns.

Those whose minds never consider their fellow traveller are not bad but disabled, Mr Baron-Cohen argues. For some, there is a genetic explanation for why crucial parts of their brains seem disengaged while other people suffer. For others, activity in those brain areas has been subdued by some awful experiences in childhood.

The author champions his own parents for instilling in him what he calls an "internal pot of gold"-a measure of self-reliance and self-confidence which he thinks is vital for developing empathy. Children learn to consider the thoughts of other people only when the minds of those who care for them are safe places to enter. A child whose mother wishes he did not exist will not want to contemplate the thought, and will fail to develop empathy as a result.

Travelling through the book, the reader is introduced to a range of character studies complemented by descriptions of real people, including Marilyn Monroe, whose early sorrows blighted the rest of her life. Are the people he describes odd? Yes. Is there a consistent underlying explanation for their oddness? No: brain function is complex, many different personality types are involved and all such categorisations are bound to be messy.

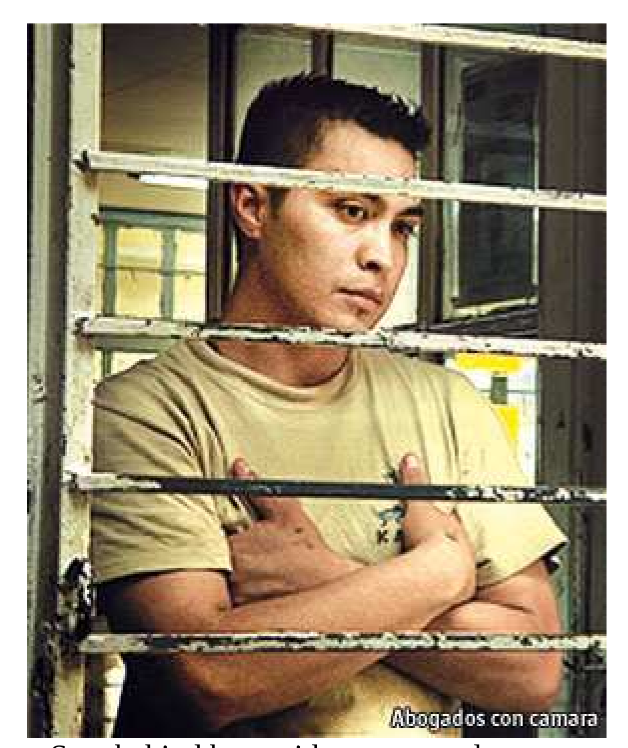
Is it feasible to cure evil? That is a far more interesting question than Mr Baron-Cohen acknowledges. He suggests that society should have empathy for those who lack it and that they should receive treatment: a puff of the hormone oxytocin, might do the trick. Whether it can be right to cure someone of what is not yet considered a disease remains unaddressed.

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Mexican documentary

The uglier face of justice

Banning a documentary film has resulted in even more people seeing it



Sent behind bars with a yawn and a sneer

"PRESUMED GUILTY", a documentary film which was released in Mexico in February and banned two weeks later, is the opposite of a whodunit. From the beginning it is clear that Antonio ZuÃ±iga, a mild-mannered computer-repairman, had nothing to do with the murder that took place near his Mexico City market stall in 2005. Forensic tests were negative; fellow stallholders gave him an alibi; the one supposed witness could not even describe his appearance. This quietly angry

film, which has been shown at film festivals over the past couple of years, is a detective story in reverse, following Mr ZuÃ±iga's difficult, dignified fight to overturn his conviction.

It sets out to shame Mexico's justice system, and succeeds twice. After the prosecution witness in Mr ZuÃ±iga's trial made a dubious complaint that the film invaded his privacy, a judge suspended screenings on March 2nd. But the ban, seen as an attempt to suppress an embarrassment, has backfired gloriously. In the days before it kicked in, multiplexes were jam-packed. More than 1m tickets have been sold, making it by far the most successful documentary in Mexico's history. Pirate DVD hawkers stock it alongside Hollywood blockbusters.

It makes chilling viewing. In prison, Mr ZuÃ±iga shares a cell with 20, sleeping in a space under a bunk bed known as the grave, his dreams disturbed by cockroaches. His girlfriend Eva, an embroiderer of mariachi costumes, brings him food, and is searched by guards who relish groping under her shirt.

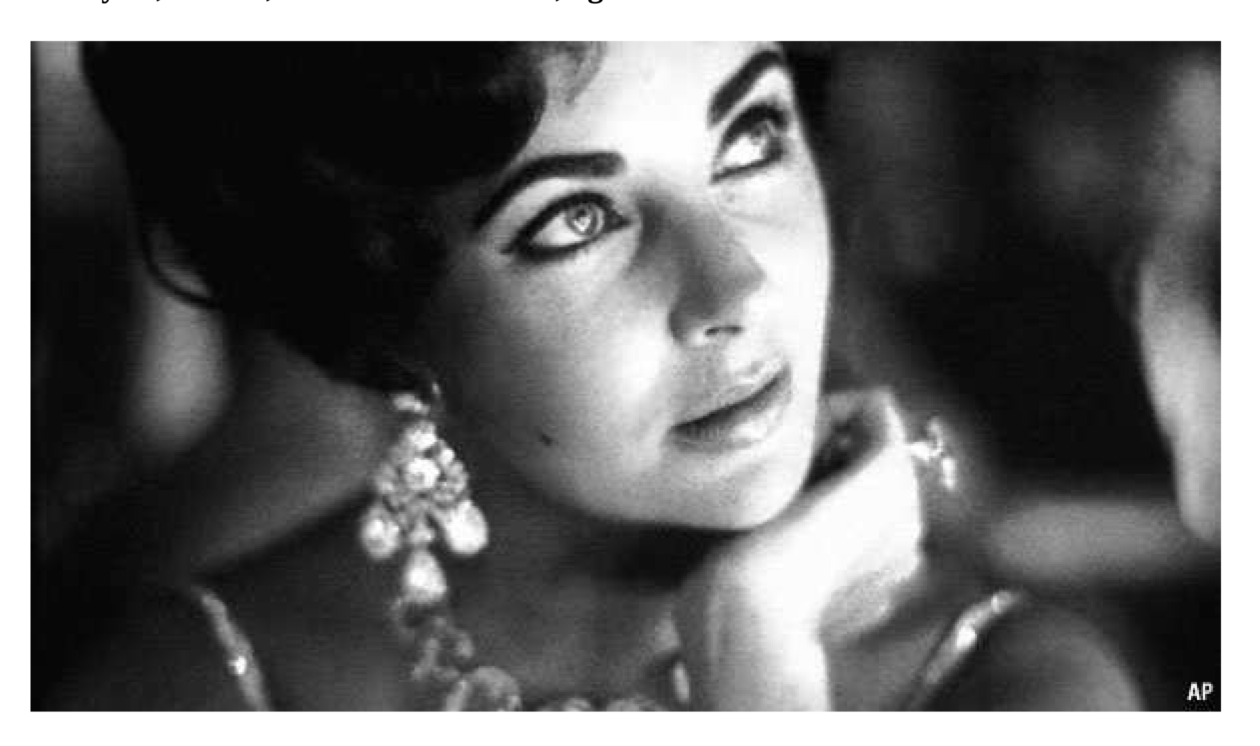
The real creeps, though, emerge in court. Mr ZuÃ±iga wins a retrial after discovering that his first lawyer had forged his documents. The case is heard by the same judge, who smirks and stifles yawns before handing down an identical guilty verdict and a 20-year prison sentence (there is no jury and, as the title suggests, the onus is on Mr ZuÃ±iga to prove his innocence). The sullen, vacant prosecutor submits her closing arguments on a floppy disk; the bullying detective bristles with bravado but cannot look Mr ZuÃ±iga in the eye. On the day of the final appeal, which quashed the conviction, Eva, whom Mr ZuÃ±iga married and made pregnant while in prison, gives birth to their first child.

After a judge overturned the ban on the documentary, it is now once again on show in Mexico's multiplexes. Counter-appeals may follow. Throughout it all, DVD sales and hits on YouTube continue to mount up. Fortunately, Mexico's courts have proved as incapable of suppressing this film as they were of giving Mr ZuÃ±iga a fair trial in the first place.

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Elizabeth Taylor

Dame Elizabeth Taylor, actress, died on March 23rd, aged 79



BESOTTED with her radiant beauty, men lined up to lay huge jewels at Elizabeth Taylor's feet. Their size didn't matter so much to her, she said. Though the Krupp diamond was 33.19 carat, flaming with life when the light shone through it, and the Taylor-Burton 69.42 carat, so big that it made Princess Margaret's eyes start out of her head, what mattered more was the emotion that lay behind them.

So the $10,000 diamond and platinum ring that Nicky Hilton, the first of her seven husbands, presented to her in 1950 was the biggest thing that had so far happened to her, as marriage was. In the end it meant nothing, because he beat her. The ring of diamonds and sapphires from Michael Wilding, her second husband, which she rather than he steered to the correct finger, symbolised his caution; it soon became as dull as he was. Michael Todd, her third husband, gave her a Cartier set of rubies and diamonds and a $25,000 tiara, trinkets for the life of Hollywood extravagance to which he had introduced her. She wore the Cartier even barefoot under the lawn sprinkler. At this stage of her life, with Oscar nominations mounting up for her acting in raw, demanding parts, she began to feel that gorgeous ornaments-like lavish contracts-were only what she deserved.

It was Richard Burton's jewels she treasured most, the wild spontaneity with which he gave them mirroring their explosive, unmanageable, on-again-off-again love. The Krupp came for beating her at ping-pong, the Taylor-Burton because, one night, he had insulted her hands. (He insulted her whole self, too, calling her a "fat little tart", saying her legs were too short; she'd slap him, wrestle him on the ground, then make up, and so on and so on.) As the new rocks arrived during their two-decade *Sturm und Drang* she would parade them eagerly to friends, and sit at table silently adoring them while, with her free hand, she wolfed down steak-and-kidney pie.

Her amethyst eyes

Jewels were something to hide behind as, chronically shy, she always wished to hide. The glitter at wrist and neck and the cleavage-plunging pearls made "Elizabeth Taylor" less boring to her. The dutiful girl who had given up her childhood to her mother's pushing in Hollywood, whose baby cheek had been daubed with eye-pencil to accentuate her beauty spot, who had eagerly promised to grow breasts at 12 to please the producer of "National Velvet", could disappear behind the dazzle. She hid behind other things, too: scorching flights of four-letter words, the brash character of the "broad" or the "dame", a demanding, regal arrogance, clouds of her own perfume ("Passion" or "White Diamonds"), pills, booze, food. Ordinary Elizabeth would then try to take that character in hand, forcing her to diet and behave.

She insisted on marriage, too, to seal the tempestuous affairs her wilder self kept falling into. Weddings allowed her to become a willing, wifely shadow behind her husbands. Cheerfully she took up Todd's Judaism, John Warner's senatorial Virginia tweediness, Burton's rugby-loving, hard-drinking Welshness, and, temporarily, the weaknesses of all of them. She could "spin on a dime" for love-and spin again when another enchanted man strayed close.

Each film role gave her more cover. On screen, boring Elizabeth could win the Grand National, or tussle with horrific memories of murder in "Suddenly Last Summer", or seduce both Caesar and Mark Anthony in real-gold robes in "Cleopatra" (1962), then the costliest film ever made. Decorous, timid Elizabeth could be a needy, whining, abandoned wife in "Cat on a Hot Tin Roof" (1958), or a disturbing prostitute in "Butterfield 8" (1960), the film for which she won her first Oscar, though she hated it. She never found acting hard, had no lessons, simply tried to become the other person, grateful to inhabit an alternative to herself. On screen she radiated a thoughtfulness in those blue-violet eyes which she defined as "concentration". She brought it even to the dishevelled, bawling Martha baiting Burton's George in "Who's Afraid of Virginia Woolf?" (1966), a film that epitomised her louder life and won her her second Oscar.

Yet, as she often told the press, acting wasn't real to her. Pain was: colitis, crushed discs, exhaustion, or the pneumonia that almost killed her during the making of "Cleopatra". Her stardom came at a price. This, as much as her longing for concealment, fed her empathy with Hollywood's misfits, to whom she offered simple, common kindness: Montgomery Clift, Rock Hudson, James Dean, Michael Jackson, the homosexuals-in-hiding and would-be children whose secrets she heard and kept. Hence, too, her generosity to AIDS sufferers long before most others cared to help them. The money raised from jewels could now provide clinics and counselling.

Her love of those staggering pieces only strengthened as she grew older. She admired their durability then, the fact that they would long outlast her. She was only their temporary custodian, she said, a form and a face caught fleetingly by the movie camera or posing, in soft focus, behind the hard stones. Ever matter-of-fact, she liked that thought of transience, and always refused to sit for the painted portraits that might have lasted. Her own amethyst eyes, pearl skin, ruby lips, would disappear. The beauty of jewels was for ever.
